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Personal income taxes.

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PERSONAL INCOME TAXES

**REFERENCE BOOK
FOR
DOMINION-PROVINCIAL CONFERENCE
ON RECONSTRUCTION**

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Canada-Dominion-Provincial Conference
" on Reconstruction, 1945/46

PERSONAL INCOME TAXES

REFERENCE BOOK
FOR
DOMINION-PROVINCIAL CONFERENCE
ON RECONSTRUCTION
[1945]

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FOREWORD

This reference book is intended to provide a descriptive, factual summary of Dominion, provincial and municipal personal income taxes, as a convenient source of material for further consideration of this subject or relevant proposals. This book has been compiled under the direction of the Secretariat of the Cabinet Committee on Dominion-Provincial Relations.

The assistance of the Office of the High Commissioner for the Commonwealth of Australia and of the Income Tax Division, Department of National Revenue in the preparation of part of the statistical tables is gratefully acknowledged.

PART I

GENERAL REVIEW

1. DOMINION

The Dominion Government first entered the field of personal income taxation in 1917. This step was taken in order to pay for the increasing war expenditures at that time.

On July 25, 1917 in the House of Commons at Ottawa, Sir Thomas White, after speaking of the calling of a further 100,000 men to the colours, continued as follows:—"In view of the expenditure involved, and in order to maintain the credit of the Dominion, it is necessary that we should adopt further taxation measures. Apart from this necessity from a financial standpoint, there has arisen, in connection with the Military Service Bill, both in this House and in the country, a very natural and, in my view a very just, sentiment that those who are in the enjoyment of substantial incomes should substantially and directly contribute to the growing war expenditures of the Dominion."

"In view of these considerations, I desire to-day to lay before the committee proposals for a national measure of income taxation. I may say that the adoption of such a measure is a distinct innovation in federal fiscal legislation. Hitherto we have relied upon duties of customs and excise, postal rates and other miscellaneous sources of revenue. It is true that since the outbreak of the war we have adopted the Business Profits War Tax Act, which is a measure of direct taxation akin to income taxation but not so wide in its scope. As the members of the committee are aware, the Dominion Government, under the provisions of the British North America Act, is empowered to raise revenue by any mode or form of taxation, whether direct or indirect. On the contrary, the provinces, and by consequence, the municipalities which derive their taxation powers from the provinces, are confined, in the raising of their revenues, to measures of direct taxation. For this reason, since the outbreak of the war, I have hesitated to bring down a measure of federal income taxation. As I have stated, the provinces and municipalities are confined to direct taxation, and I have not regarded it as expedient, except in case of manifest public necessity, such as I believe exists at the present time, that the Dominion should invade the field to which the provinces are solely confined for the raising of their revenue"

" . . . I shall now explain to the committee the nature of the proposals which I purpose laying before them. In framing these proposals we have had regard to certain conditions which I think ought to be taken into account in connection with a measure of this kind. In the first place, we must not be blind to the fact that the cost of living has materially, and indeed greatly increased in this country, as it has all over the world since the outbreak of this war, and that has a bearing upon the question of the exemption which should be allowed in an income tax measure. We have also borne in mind the fact that in most of the provinces of the Dominion there is a municipal tax upon income more or less

heavy, running as high as two or three per-cent. In addition to that, there is in some of the provinces a direct income tax levied by the province itself. So we must bear in mind that when this measure becomes law the people of this country whose incomes make them subject to the several income taxation laws in force in Canada will be liable to three different sets of income taxation—first, income taxation by the municipality, secondly, income taxation by the province, and thirdly, income taxation by the Dominion"

At that time, the Provinces of British Columbia and Prince Edward Island and some municipalities in the Provinces of Ontario, Alberta, Saskatchewan, Nova Scotia and New Brunswick levied a tax on income. The entry of the Dominion into the income tax field did not materially affect the levying of the provincial and municipal taxes in force at the time as did the great increase in Dominion taxation in 1942, referred to later.

The title of the original act (7-8 George V, Chap. 28) was in fact—"An Act to Authorize the Levying of a War Tax upon Certain Incomes",—but the Act has remained in force, with numerous additions and amendments, to the present day.

The original act imposed a "normal" tax of four per cent on incomes received by persons in the calendar year 1917 and in addition imposed a surtax on incomes in excess of \$6,000 on a graduated scale ranging from two per cent to twenty-five per cent depending upon the amount of income in excess of \$6,000. Taxpayers were divided into two broad groups namely, "married" and "single"; married persons with incomes of less than \$3,000 and single persons with incomes less than \$1,500 being exempt from taxation.

Looking back, it is an interesting fact that dividends received by individuals from companies whose profits were taxable under the Income War Tax Act were specifically exempt from personal income tax at the normal rate, but were subject to the "surtax".

Since its inception, the Income War Tax Act has been amended frequently. The first of these amendments was made in 1918 (8-9 George V, Chap. 25). The main amendment at this time was the raising of the tax rates and the lowering of incomes exempt from tax. Thus increased revenues were brought from two sources:—(1) From increased amounts of tax from original taxpayers and (2) from new taxpayers. A two per cent normal tax was imposed on incomes of single persons in excess of \$1,000 and of married persons in excess of \$2,000 and four per cent on incomes in excess of \$1,500 and \$3,000 respectively. A supertax on incomes in excess of \$6,000 ranging from two per cent to fifty per cent, the latter rate to apply to incomes in excess of \$1,000,000, and a surtax of from five to thirty-five per cent of the total normal and supertaxes upon incomes in excess of \$6,000 were imposed. Provision was made, however, for a

deduction from income of \$200 each for dependent children. Thus in the second year of its existence, the Income War Tax Act, in endeavouring to increase revenues and at the same time spread the burden equitably, had developed quite a complicated tax calculation.

Further increases in tax rates were made in 1919 (9-10 George V, Chap. 55, Sec. 3). The exemption from tax of incomes up to \$1,000 and \$2,000 for "single" and "married" persons respectively was retained, but the rate of normal tax was raised to four per cent on incomes up to \$6,000 and to eight per cent on all other incomes. The supertax and surtax imposed in 1918 were removed, and in their place a surtax on a graduated basis was imposed, beginning with one per cent on incomes over \$5,000 and increasing so that a tax of sixty-five per cent was levied on incomes in excess of \$1,000,000.

The year 1920 saw further amendments both in tax rates and in income subject to tax. An additional five per cent of the combined normal and graduated taxes on incomes of \$5,000 or more was levied on 1919 incomes. (10-11 George V, Chap. 49, Sec. 7). Income from estates whether paid or accumulating in trust was made taxable. Increased revenues were still being sought and once again the field of taxable income was broadened.

There were no changes made in 1921, but in 1922, however, provision was made allowing normal tax exemption on incomes up to \$2,000, in addition to married persons, for persons supporting a parent, son, daughter or sister. The allowance for dependent children in the case of persons who already had "married" status, was raised from \$200 to \$300. (12-13 George V, Chap. 25, Sec. 1 & 3). These amendments were designed to give some measure of relief to taxpayers who had persons dependent upon them for support, and particularly those in the lower income brackets since as a result of these changes a number who had previously been taxable were now exempt. Revenue from personal taxation in the fiscal year ended March 31, 1922 amounted to \$39,821,000.

An important amendment was made in 1923, providing that a person's income should ". . . be not less than the income derived from his chief position, occupation, trade, business or calling, and for the purpose of this Act the Minister shall have full power to determine the chief position, occupation, trade, business or calling of the taxpayer . . ." (13-14 George V, Chap. 52, Sec. 1). This amendment, provided, in effect, that persons who were salary or wage earners could not make any deductions from their income for expenses, etc., other than the statutory allowances for tax exempt income and dependents.

Two amendments of note were enacted in 1924. The allowance for dependent children was increased from \$300 to \$500. (14-15 George V, Chap. 46, Sec. 1) and the income of partnerships was made taxable income of the partners in the year in which earned regardless of whether or not such income was actually received by the partners in that year. The first of these amendments had the effect of reducing the number of taxpayers by increasing the amount of tax free income and at the same time reducing the amount of tax payable by persons with dependent children.

The tax rates enacted in 1919 and 1920 were in force until the end of 1924. In 1926 amendments were made applicable to incomes for the year 1925 which

resulted in a general easing of the income taxes for all persons (16-17 George V, Chap. 10).

The exemption for married persons was raised from \$2,000 to \$3,000 and for single persons from \$1,000 to \$1,500. Incidentally, it was provided that a single person could claim married status if a householder, a householder being defined as ". . . (i) an individual who at his own and sole expense maintains a self-contained domestic establishment employing therein a full time housekeeper or servant or (ii) an individual who maintains a self-contained domestic establishment and who actually supports and maintains therein one or more individuals connected with him by blood relationship, marriage, or adoption . . .". The tax rates previously in force were repealed, and an entirely new table of tax rates on a graduated basis was provided. The initial rate was two per cent on the first \$2,000 of taxable income, increasing to fifty per cent on income in excess of \$500,000.

Having removed the surtax, however, meant that dividends would be non-taxable income in the hands of taxpayers. An amendment was passed, therefore, applicable to 1925 making dividends received by individuals taxable at the new graduated rates. Corporation profits were now subject to double taxation, since such profits before deduction of dividends were taxed at nine per cent in the hands of the corporation and by this amendment were taxed again when distributed to the shareholders as dividends.

In 1927 taxes were further lowered by providing for an overall reduction of ten per cent, applicable to 1926 incomes (17 George V, Chap. 31, Sec. 1) and in 1928 this reduction was increased to twenty per cent, applicable to 1927 incomes (18-19 George V, Chap. 12, Sec. 1). These reductions made the taxes payable on incomes below \$20,000 the lowest in the history of the Dominion Tax.

No further amendments of importance were enacted until 1930 when ". . . the income to the extent of five thousand dollars only derived from annuity contracts with the dominion or provincial governments or any company incorporated or licensed to do business in Canada effecting like annuity contracts . . ." was specifically made tax-free. (20-21 George V, Chap. 24, Sec. 3 (k)).

The tax rates in force in 1927 remained the same through the years of increased business activity and higher personal incomes until in 1932 the twenty per cent reduction provided for in 1927 was repealed (22-23 George V, Chap. 43, Sec. 1) and persons in receipt of income in excess of \$5,000 were required to pay an additional tax of ". . . five per centum of the amount of the tax as hereinbefore provided". The scope of the tax was widened by reducing the exemption for married persons from \$3,000 to \$2,400 and for single persons from \$1,500 to \$1,200. The exemption from tax of \$5,000 income from annuities was cut drastically to \$1,200. These amendments applied to 1931 income. At this time, individual incomes were somewhat lower than incomes in the previous five years, and these changes in the act were no doubt an endeavour to maintain tax revenues in the face of a declining national income.

In the fiscal year ended March 31, 1932, personal income taxes amounted to \$24,773,000, as compared with \$26,624,000 in 1931, and \$27,238,000 in 1930 fiscal years.

In the year 1933, amendments to rates of tax and allowances were made, affecting incomes for 1932 (23-24 George V, Chap. 41). The rates of tax previously in force were repealed and a new table of rates on a graduated basis substituted therefor. The new table began with a tax of three per cent on income of \$1,000 in excess of exemptions and increased so that fifty-six per cent was levied on income in excess of \$500,000. An additional rate of tax was payable by all persons whose income was in excess of \$5,000 being ". . . five per centum of the amount of the tax as hereinbefore provided for."

Exemptions for married persons and single persons were reduced from \$2,400 to \$2,000 and \$1,200 to \$1,000 respectively and the allowance for dependents was reduced from \$500 to \$400.

The provision whereby a single person who maintained a home and had a housekeeper to run it was entitled to be taxed as a married person was repealed; persons other than married persons who could claim "married" status under the Act were restricted to ". . . (ii) a widow or widower with son or daughter under twenty-one years of age who is dependent upon such parent for support, or if twenty-one years of age or over is likewise dependent on account of mental or physical infirmity;

(iii) An individual who maintains a self-contained domestic establishment and who actually supports therein one or more individuals connected with him by blood relationship, marriage or adoption."

These amendments continued an upward trend in the scope and rates of income taxation begun in 1931 and which has been maintained to the present day. It is interesting to note that this upward revision began at a time when national income was on the decline and was continued throughout the depression years and in the years following.

The next major change in rates occurred in 1935, when a surtax on investment income was provided for at graduated rates beginning at two per cent and rising to ten per cent on income exceeding \$200,000 (25-26 George V, Chap. 40, Sec. 1).

The definition of "investment income" made by the amendment to the act is interesting in that it placed a ceiling on "earned income" for tax purposes: ". . . (n) investment income includes any income not defined herein as 'earned income' and also any amount deemed by this Act to be a dividend and any income from whatever sources derived in excess of fourteen thousand dollars; . . ."

No further major amendments were made to the Act until 1939, when the first of the wartime increases in tax rates was made. At that time the rates of tax then in force, including the five per cent additional tax provided for in 1933 and the investment income surtax, were raised by an overall twenty per cent. (3 George VI, Chap. 6, Sec. 2, 3, 4.). Revenue from personal income tax for the fiscal year ended March 31, 1940 amounted to \$45,407,000.

The following year (1940) the whole structure of tax rates, exemptions and allowances was revised. Tax rates previously in force were repealed and a completely new schedule of rates was compiled beginning at six per cent on the first \$250 of taxable income, and increasing on a graduated basis to seventy-eight per cent on income in excess of \$500,000 (4 George VI, Chap. 34, Sec. 1).

The allowance for married persons was dropped from \$2,000 to \$1,500 and for single persons from \$1,000 to \$750.

In addition to the increase in graduated tax rates a new tax was incorporated into the Income Wax Tax Act, known as the "National Defence Tax". A tax of two per cent was levied on the total income of a "married person" if such income exceeded \$1,200; two per cent on the total income of a single person if such income exceeded \$600 but not \$1,200 and three per cent on the total income if the income exceeded \$1,200. A deduction from the tax for dependents was provided for in the amount of \$28 for each such dependent.

Employers were required to deduct the National Defence Tax from wages and salaries: ". . . Every employer at the time of payment of earnings to an employee shall deduct and collect the tax imposed on the employee . . ." and ". . . every employer shall . . . pay to the Receiver General of Canada the full amount of the taxes so deducted . . ."

These amendments were applicable to incomes for the calendar year 1940 except that the National Defence Tax was levied on one half of the income for that year only.

The Minister of Finance, Hon. J. L. Ilsley, discussing income taxes in his budget speech of April 29, 1941, said, amongst other things, the following:

"After the most careful consideration of all the questions involved we have reached the conclusion that the rates of personal and corporation income taxes should be raised by the dominion to the maximum levels which would be reasonable at this time, if the provinces were not in those fields. Our plans are drawn, therefore, on that basis and in due course I shall outline proposals to increase the minimum rates of corporation income tax to 40 per cent; to increase the rates of personal income taxes very considerably and to increase the national defence tax. But these increases if taken together with the existing provincial rates would result in too heavy a burden and it is proposed, therefore, as a temporary expedient for the duration of the war only, to ask the provinces to vacate these two tax fields.

I am writing to the provincial premiers informing them that the dominion will offer to pay each year for the duration of the war, to any province which, together with its municipalities, will temporarily vacate the personal income tax and corporation tax fields either

- (a) the revenues which the province and its municipalities actually obtained from these sources during the fiscal year ending nearest to December 31, 1940, or
- (b) the cost of the net debt service actually paid by the province during the fiscal year ending nearest to December 31, 1940, (not including contributions to sinking funds), less the revenue obtained from succession duties during that period . . ."

". . . I should like to emphasize that this is not an attempt to get the provinces out of these tax fields permanently. While it is proposed that the dominion should increase the tax on corporation incomes this will be done by raising the minimum rates under the Excess Profits Tax Act which is not and never was intended to be a permanent fixture in our tax structure. Further-

more, it will be noticed that succession duties are specifically excluded from the proposal which is being made to the provinces. . . ."

".....I should also like to emphasize that no province is being forced to accept this offer and any province which does accept will have the right to withdraw from the plan at the end of any year subject to reasonable notice. Furthermore, the arrangement with the provinces will be discontinued and the dominion will cease making the payments which are contemplated in the proposal and will agree to reduce its taxes in these two fields proportionately within one complete fiscal year after the termination of the war."

"The plan which I have outlined for alleviating the present difficulties is by no means perfect and is not intended to be more than a temporary wartime expedient. However, it has the merits of simplicity. It will permit the dominion government to levy the necessary taxes without injustice to residents of different sections of the country or to different income groups. As far as the provinces are concerned, it will ensure them a fixed revenue for each year during which the war continues, based upon the level of such revenues during the past year....."

As a result of these proposals, the Provinces agreed to suspend the levying of certain taxes, including income taxes, as a wartime measure. The Provinces agreed to vacate the income tax field for the duration and for one year after the termination of hostilities with Germany, Italy and Japan.

The dominion was now in a position to fulfil its desire to raise the rates of taxation ". . . to the maximum levels which would be reasonable at this time if the Provinces were not in those fields . . ." ¹ This was done in 1941 and 1942 by amendments outlined briefly in the following paragraphs.

The year 1941 brought with it further increases in tax rates both in the graduated scale and in the National Defence Tax. The graduated rates were raised so that fifteen per cent was payable on the first \$1,000 of taxable income and eighty-five per cent on income in excess of \$500,000. The investment income surtax, which had not been changed from the graduated basis provided for in 1935 was now amended to a straight four per cent on all investment income in excess of \$1,500. The previous provision defining "investment income" was repealed, and was made to include all income not defined as "earned income" (4-5 George VI, Chap. 18, Sec. 1, 2, 4).

The rates of National Defence Tax were also increased from two and three per cent to five and seven per cent for married and single persons respectively. A single person, however, was exempt from this tax if his income was less than \$660 while the exemption for married persons remained at \$1,200.

This increase in tax rates was made applicable to the whole of the calendar year 1941, except that the increase in National Defence Tax applied only to the six months ended December 31, 1941 so that the effective rates of this tax were three and one half per cent and five per cent for "married" and "single" persons respectively.

In 1942, further amendments to the Act were made, raising the general level of income taxation to the point

where it has remained to the present day—by far the highest rate in the history of Canadian Income Tax. (6 George VI, Chap. 28.)

A proportion of the tax levied under the new scale, however, was in the nature of "Compulsory Savings", reference to which is made later.

The National Defence Tax was repealed, and a "Normal Tax" substituted therefore on "married persons" with income in excess of \$1,200 and "single persons" in excess of \$660. Rates of taxation for single persons varied with the amount of income, being seven per cent on incomes not exceeding \$1,800, eight per cent on incomes not exceeding \$3,000 and nine per cent on incomes in excess of \$3,000. The rate of tax for married persons was seven per cent on all incomes in excess of \$1,200. These rates were applicable to the total income but tax credits were provided in the amount of \$28 for each dependent.

The graduated tax rates were also increased, beginning at thirty per cent on the first \$500 of taxable income, and rising steeply to eighty-five per cent on income in excess of \$100,000. A new departure was made, however, concerning allowances for married persons and for dependents. Previously taxpayers had been allowed to deduct from income a fixed amount if they were married plus a further fixed amount for dependents. In 1942 provision was made to allow taxpayers to deduct fixed amounts from the tax that would otherwise be payable by them; \$150 for a married person and \$80 for each dependent. The previous method under which allowances were made gave taxpayers relief at the highest rate of tax applicable to each taxpayer; the new method gave the same allowance to all taxpayers no matter what their income might be.

Husbands whose wives had *earned* income in excess of \$660 were not for this reason deprived of their married status for tax purposes as they would have been under normal conditions. This provision was made specifically to encourage married women to take wartime positions in order to relieve the shortage of labour.

Provision was made to refund to taxpayers a certain portion of the amount paid by them in the year 1942 and succeeding years, such repayment to be made at a fixed time after the cessation of hostilities. The amount of such refundable portion consisted of the lesser of either one half of the total sum payable, or ten per cent of the taxable income with a maximum of \$1,000 for married persons and eight per cent of the taxable income with a maximum of \$800 for single persons, plus one per cent of the taxable income or a maximum of \$100 for each dependent for both groups.

From this refundable portion taxpayers could deduct certain payments made by them, classified as "voluntary savings." These consisted of such items as life assurance premiums, payments on mortgages (principal only), annuity payments, etc. Thus taxpayers with fixed contractual obligations of this type were given the option of reducing their total tax payable and of course foregoing the benefit of a post-war refund.

The deduction of tax at the source, previously applicable to the National Defence Tax only was now made applicable to all taxes, and employers were required to deduct the tax and remit to the Government in accordance with tables issued by the Income Tax department.

The new tax rates were not published until well on in 1942, and previously, deductions at the source were

¹ Hon. J. L. Ilsley, April 29, 1941.

comparatively small, so in order to avoid the large amount of arrears of tax which would inevitably have been created by making the new rates applicable in full a later provision was made reducing the tax liability for 1942 to one half of the tax including the refundable portion in the case of taxpayers with investment income of less than \$3,000 and on a proportionate basis for other taxpayers.

A new allowance appeared in the 1942 amendments for unusually large medical expenses of the taxpayer. Deduction from income of medical expenses in excess of five per cent of income was provided for, with a maximum allowance of \$400 for single persons and \$600 for married persons plus \$100 each for dependents. This provision was intended to afford some measure of relief to taxpayers who had had to meet very large medical expenses greatly in excess of average, since five per cent of income could not be construed as being the "normal" annual medical expense of the average taxpayer.

An amount of \$698,435,000 was raised by the taxation of individual incomes (after allowance for refundable portion) in the fiscal year ended March 31, 1944, more than 15 times the amount raised in 1940.

In 1944, the provision for unusual medical expenses was amended by raising the maximum allowance to \$600 for a single person, \$900 for a married person and \$150 for each dependent, the effective scope of the allowance being broadened by reducing the amount of non-deductible medical expenses from five to four per cent of income. In addition the Act was amended to recognize certain persons as dependents of taxpayers which were not so recognized before, such as relatives-in-law, etc.

The refundable portion of tax, provided for in 1942 was, by the 1944 amendments repealed; taxes for the calendar year 1944 were reduced by one half of the refundable portion, and for succeeding years this part of the tax was eliminated entirely.

Briefly reviewing the wartime amendments, then, we find that individuals paid at the highest level in 1943. Although the rates of taxation reached their peak in 1942, the effective rate of tax was not at its greatest in that year owing to the forgiveness of one half the tax. Since 1943, all amendments of a major nature have been made generally to decrease the amount of tax payable by widening the scope of allowances and deductions and by removing the "savings" or "refundable portion"; the scale of rates has not changed since 1942 (other than by the removal of the "refundable portion") and individuals have paid the same rate of actual tax (not including "savings") since that time.

Certain individuals are subject to the provisions of The Excess Profits Tax Act, 1940 (Dominion). Generally speaking, individuals in business as sole proprietors or in partnership pay Excess Profits Tax at a minimum rate of 15 per cent on the profits derived from the business or 100 per cent of the excess of such profits over the average profits earned during the years 1936 to 1939 inclusive. This is not strictly a "personal" tax, the tax being levied on the business engaged in by the individual rather than on the individual himself. It is worth noting, however, that any such Excess Profits Tax paid is allowed as a deduction from income by the individual for calculation of personal income tax.

Reference to the tables in Part II discloses the great increase in taxation which has occurred in the comparatively short life of the Income War Tax Act (1917) and the increased importance which Income Tax has assumed in the total National Revenue. Some comparisons of Canadian taxation with that of other countries are also shown in Part II and serve to emphasize the fact that in this particular field of taxation Canada has kept in step with other major taxing authorities.

2. BRITISH COLUMBIA

British Columbia was the first of the Provinces to levy a direct personal income tax. In 1876, its initial year, the tax rate was one-half of one per cent on incomes of \$1,500 and over. In 1897, a progressive scale of rates was introduced in a minor way, the tax rate ranging from one and one-quarter per cent to one and three-quarters per cent, the latter rate applicable to incomes in excess of \$20,000.

Amendments were made to rates and income considered taxable from time to time until in 1917, the maximum rate in the graduated scale had risen to ten per cent on incomes in excess of \$20,000. Incomes exempt from tax, however, were raised from \$1,000 to \$1,500. In 1920, different exemptions for "married" and "single" persons were introduced for the first time: \$1,500 was granted to "married" persons and \$1,200 for "single" persons. At the same time, a \$200 allowance for dependents was provided.

In 1921, a major change in the application of rates was enacted. Prior to this time, the progressive scale applied on a "total" basis; i.e., the whole income was taxed at the applicable rate. A new rate structure in 1921 operated on a "bracket" basis, income between different levels being taxed at different rates ranging from one per cent to fifteen per cent, the latter rate being applicable to income in excess of \$19,500 but not over \$25,700. On any incomes in excess of this latter amount, a flat ten per cent was levied on the whole income, the principle of "totality" being maintained to this extent.

Amendments enacted during the nineteen-twenties served to lighten the burden of tax, but the depression years of the early thirties brought with them tax increases on larger incomes and also the "Special Revenue Act" (in force for one year only) which imposed a tax of one per cent on practically all incomes. A surtax on income in excess of \$5,000 was levied in 1933, this also being on a graduated basis.

The present legislation, the "Income Tax Act" (Revised Statutes of British Columbia 1936, Chapter 280), imposes a tax on a graduated scale from two per cent to nineteen per cent; income in excess of \$18,000 but not over \$19,000 being subject to the latter rate. Where net income exceeds \$19,000, however, the whole taxable income is subject to a flat rate of ten per cent this latter principle being a characteristic of British Columbia Income Tax legislation since 1921. In addition to the "ordinary" tax, a surtax on income in excess of \$5,000 is provided for, also on a graduated basis ranging from one per cent on the first \$2,500 over the exemption to eighteen per cent on income in excess of \$47,500. Exemptions for "married" and "single" persons are \$1,000 and \$600 respectively, and there is an allowance of \$200 each for dependents.

Together with the other Provinces, British Columbia suspended its income tax levy as from 1940. (Dominion-Provincial Agreement Act, Chapter 7, Statutes of 1942).

For the fiscal year ended March 31, 1941, the revenue from personal income taxes was \$2,387,000, 6.5 per cent of the total revenue, current account for that year. The total amount of personal income tax collected by all provinces in the corresponding fiscal period was \$15,699 000, of which British Columbia collected \$2,387,000 as previously mentioned, being 15.2 per cent of the total.

The following is a brief summary of some of the provisions of the "Income Tax Act" (Revised Statutes B.C. 1936, Chapter 280).

Section 3 (1) "To the extent and in the manner provided in this Act, and for the raising of a revenue for Provincial purposes:

- (a) All income of every person resident in the Province and the income earned within the Province of persons not resident in the Province shall be liable to taxation; and
- (b) Every person shall be assessed and taxed on his income, and on the income received by him in a representative capacity."
- (2) "Except as otherwise provided in this Act, the tax on income shall be assessed, levied and paid annually on the net income of the taxpayer during the last preceding fiscal year."

Tax on income consisting chiefly of salary or wages is payable on a calendar year basis.

Income is defined in Section 2 of the Act as follows:

"Income" includes:

- (a) The gross amount earned, derived, accrued or received from any source whatsoever, the product of capital, labour, industry, or skill;
- (b) All wages, as defined in this section, and all gratuities and annuities;
- (c) All income, revenue, rent, interest, dividends, or profits arising, received, gained, acquired, or accrued due from bonds, notes, stocks, debentures, or shares (including the stocks, bonds, or debentures of the Dominion or of any Province of the Dominion, or of any municipality), or from real and personal property, or from money lent, deposited, or invested, or from any indebtedness secured by deed, mortgage, contract, agreement, or account, or from any venture, business, or profession of any kind whatsoever; and nothing in any of the clauses (a), (b) and (c) of this definition shall be construed as limiting in any way the generality of any other of those clauses"

" . . . 'Wages' includes all wages, salaries and emoluments from any source whatsoever, including:

- (a) Any compensation for labour or services measured by the time, piece or otherwise,
- (b) The salaries, indemnities or other remuneration of members of the Senate and House of Commons of the Dominion and officers thereof, members of the Provincial Legislative Councils and Assemblies, members of Municipal Councils,

Commissioners, or Boards of Management, and of any judge of any Dominion or Provincial Court, and of all persons whatsoever,

- (c) Personal and living expenses and subsistence when they form part of the profit or remuneration of the employee,
- (d) Emoluments, perquisites, or privileges incidental to the office or employment of the employee which are reducible to a money value."

Briefly, the following classes of income are exempt from taxation:

Income derived from interest on bonds or debentures issued by a corporation where income tax has been paid by the corporation in respect of that interest, and income derived from dividends from a corporation where the corporation is liable to taxation under the "Income Tax Act".

Income from a farm up to one thousand dollars per annum. Income of the Governor General and the income of the Lieutenant-Governor of the Province; the income of Consuls and Consular agents who are citizens of the country they represent.

Military pay of any person who is a member of the regular Naval, Military or Air Forces.

"Old Age" and "Mothers" pensions and war disability pensions.

One-half of all income from annuities.

The following deductions from income are allowed for income tax purposes:

One thousand dollars in the case of:

- (1) A married person.
- (2) A widow or widower with dependent children.
- (3) A householder with dependent children.

Six hundred dollars for other persons.

Two hundred dollars for each of the taxpayer's dependents.

Premiums for life assurance on the life of the taxpayer (maximum \$300).

Charitable donations not exceeding five per cent of net taxable income of the taxpayer.

Deduction from Income Tax allowed: (Section 25, (1)).

"Where the tax payable by a taxpayer under this Act includes an amount of tax in respect of income derived from sources within any other Province of the Dominion, the taxpayer shall be entitled to a deduction from the tax so payable equal to the amount paid by him to that other Province for income tax in respect of the income so derived; but the amount of the deduction shall not exceed the amount of tax payable under this Act in respect of the income so derived from sources within that other Province."

Partnerships (Section 38, (1))

"Where two or more persons are carrying on business in partnership, the partnership as such shall not be liable to assessment or taxation in respect of income.....but the amounts of the shares of the respective partners accruing from the income of the partnership, whether withdrawn or not during the taxation year, shall, in addition, to all other income, be deemed to be income of the partners respectively, and be assessed and taxed thereunder accordingly;

....."

The filing of income tax returns is required by February 28th in each year.

A Table of Rates in force prior to the suspension of the income tax levy through the "Dominion-Provincial Agreement Act" (Statutes of British Columbia, 1942, Chapter 7) will be found in Part II hereof.

3. PRINCE EDWARD ISLAND

Income tax in Prince Edward Island dates back to 1894; British Columbia was the only province to levy a tax on personal incomes at an earlier date. At its inception the tax in Prince Edward Island consisted of a flat levy of one per cent on income exceeding \$350. This rate was raised to one and one-half per cent in 1902, and the exemption raised to \$500 in 1911.

It was not until 1920 that a graduated scale of rates was introduced, and this new scale was a progressive one on a "totality" basis, as was the British Columbia scale up to that time. The rates began at one per cent on the first \$500 of taxable income and rose to ten per cent on incomes in excess of \$20,000.

There was an increase in exemptions in 1927 for "married" persons from \$500 to \$1,000 and for single persons from \$500 to \$750 and an allowance for dependents of \$200 provided in 1938, the rates remaining the same as they were in 1920.

The tax legislation is unique among Canadian income taxes because of its scale of rates on a "totality" basis and also because of an additional exemption of \$500 given to Great War Veterans whether married or single.

The present legislation (The Income Tax Act, 1938) levies a tax at the rates mentioned above, and gives the same exemptions and allowances as previously enacted.

Collection of personal income tax was suspended after 1940 by agreement with the Dominion and the other Provinces (Statutes of 1942, Prince Edward Island, Chap. 1), "An Act to Suspend Temporarily the Imposition of Income Taxes, Corporation Taxes, and Taxes on Securities".

In the fiscal year ended December 31, 1940, revenue from personal income tax amounted to \$89,000, which was 5.29 per cent of the total revenue, current account of the Province and a little more than one half of one per cent of the total personal income taxes for all provinces combined in the corresponding period.

The following is a brief summary of some of the provisions of the Income Tax Act of Prince Edward Island, 1938.

Sec. 9. "There shall be assessed, levied and paid upon the income during the preceding year of every person

- (a) residing or ordinarily resident in Prince Edward Island during such year; or
- (b) who sojourns in Prince Edward Island for a period or periods amounting to one hundred and eighty-three days during such year; or
- (c) who is employed in Prince Edward Island during such year; or
- (d) who, not being resident in Prince Edward Island, is carrying on business in Prince Edward Island during such year; or
- (e) who, not being resident in Prince Edward Island, derives income for services rendered in Prince

Edward Island during such year, otherwise than in the course of regular or continuous employment, for any person resident or carrying on business or corporation carrying on business in Prince Edward Island; or

- (f) who before his appointment was a resident of Prince Edward Island and is now or was during such year or any part thereof or hereafter becomes a Minister, High Commissioner, officer, servant or employee of the Government of Canada, or an agent general for any of the provinces of Canada, or any officer, servant or employee thereof, resident outside of Canada, except upon income arising from his official position,

a tax at the rates set forth in the First Schedule of this Act . . .".

Tax is levied on a calendar year basis.

Section 3 of the Act defines "income" in the following way:

"For the purposes of this Act, "income" means the annual net profit or gain or gratuity, whether ascertained and capable of computation as being wages, salary, or other fixed amount, or unascertained as being fees or emoluments, or as being profits from a trade or commercial or financial or other business or calling, directly or indirectly received by a person from any office, or employment, or from any profession or calling, or from any trade, manufacture or business, as the case may be, whether derived from sources within Prince Edward Island or elsewhere; and shall include the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment, and, whether such gains or profits are divided or distributed or not, and also the annual profit or gain from any other source including

- (a) the income from but not the value of property acquired by gift, bequest, devise or descent; and
- (b) the income from but not the proceeds of life insurance policies paid upon the death of the person insured, or payments made or credited to the insured on life insurance on endowment or annuity contracts . . .; and
- (c) any payment to any employee out of any employees' superannuation or pension fund or plan; and
- (d) the salaries, indemnities or other remuneration of
 - (i) members of the Senate and House of Commons of Canada and officers thereof;
 - (ii) members of the Legislative Assembly of Prince Edward Island;
 - (iii) members of Municipal Councils, Commissions or Boards of Management;
 - (iv) any judge of any Dominion or Provincial Court
 - (v) all persons, whatsoever, whether the said salaries, indemnities or other remuneration are paid out of the revenue of His Majesty in respect of His Government

of Canada, or of any province thereof, or by any person, except as herein otherwise provided; and

- (e) personal and living expenses when such form part of the profit, gain or remuneration of the taxpayer;
- (f) rents, royalties, annuities or other like periodical receipts which depend upon the production or use of any real or personal property,"

Incomes exempt from taxation are, briefly, as follows:

The income of the Governor-General of Canada; The income of consuls and consuls general and British Officials; Government pensions; Income from a farm or orchard when operated personally by the taxpayer; Service pay and allowances except of commissioned officers in Canada whose normal duties are not performed afloat or in aircraft.

Deductions from income allowed:

One thousand dollars in the case of—

- (i) a married person;
- (ii) a widow or widower with dependent child;
- (iii) a person maintaining a self-contained domestic establishment and supporting therein a relative;
- (iv) a clergyman maintaining a self-contained domestic establishment and employing a housekeeper.

One thousand five hundred dollars in the case of married Great War and South African War veterans.

Twelve hundred and fifty dollars in the case of single Great War and South African War veterans.

Seven hundred and fifty dollars in the case of all other persons.

Two hundred dollars for—

- (i) dependent children.
- (ii) children, being war refugees, maintained by the taxpayer.
- (iii) dependents over twenty-one years suffering from infirmity.

Charitable and patriotic donations not exceeding ten per cent of net taxable income in each case.

Income from annuity contracts entered into prior to June, 1940.

Interest paid on succession duties.

Income tax paid to the Dominion of Canada.

Deductions from Income Tax allowed (Sec. 8)

(1) "A taxpayer shall be entitled to deduct from the tax that would otherwise be payable by him under this Act,

- (a) the amount paid to Great Britain or any of its self-governing colonies or dependencies or to any province in the Dominion of Canada for income tax in respect of the income of the taxpayer derived from sources therein, except the tax paid under the Income War Tax Act (Canada); and

(b) the amount paid to any foreign country for income tax in respect of the income of the taxpayer derived from sources therein . . ." (if reciprocal arrangements exist).

(2) "Such deduction shall not at any time exceed the amount of tax which would otherwise be payable under the provisions of this Act . . .".

Taxation of Dividends (Sec. 12)

"Dividends or shareholders' bonuses shall be taxable income of the taxpayer in the year in which they are paid or distributed".

Partnerships (Sec. 30)

"Where two or more persons are carrying on business in partnership, the partnership as such shall not be liable to taxation but the shares of the partners in the income of the partnership, whether withdrawn or not during the taxation year, shall, in addition to all other income, be income of the partners and taxed accordingly."

The filing of Income Tax Returns is required by April 30th in each year.

A table of rates in force prior to the suspension of the income tax provisions, will be found in Part II hereof.

4. MANITOBA

In 1923 Manitoba first began taxing personal income. The original scale of rates was on a graduated basis, from one per cent on the first \$1,000 of taxable income to seven per cent on taxable income in excess of \$12,000. Persons with "single" status were taxed at rates one per cent higher than these quoted. "Married" persons were given an exemption of \$2,000 and "single" persons \$1,000.

Tax reductions were made during the late nineteen-twenties but in 1931, after the onset of the depression, tax rates were increased substantially. Exemptions for "married" and "single" persons were raised, however, from \$2,000 to \$3,000 and from \$1,000 to \$1,500 respectively. These were cut by fifty per cent, however, in 1932. The allowance for dependents, set at \$500 in 1925 remained unchanged.

In 1933, a flat rate tax on income of two per cent (generally known as the Wage Tax) was imposed, reduced in 1938 to one per cent. This tax was imposed on all income in excess of exemptions—"married" \$1,200; "single" \$600. (1936).

The present taxing authority, "The Income Taxation Act", (Revised Statutes of Manitoba, 1940, chap. 209) levies tax on a graduated basis, beginning at two per cent on taxable income of \$2,000 or less, and rising to fifty per cent on income in excess of \$500,000. "Single" persons are taxed at rates one per cent higher in each bracket. In addition, a surtax of five per cent of the tax is levied on all persons with income of \$5,000 or over. Exemptions for "married" and "single" persons are \$1,500 and \$750 respectively. There is also the one per cent tax mentioned previously (the "Wage Tax").

By "The Taxation Suspension Act" (Statutes of 1943, chap. 1) Manitoba, in agreement with the other provinces and the Dominion, suspended the levying of personal income tax for all years subsequent to 1940.

Personal income tax collections in the fiscal year ended April 30, 1941, amounted to \$2,213,000, being

12.76 per cent of the total revenue, current account, and 14.1 per cent of the total personal income tax collected by all provinces during the corresponding period.

A brief summary of some of the provisions of The Income Taxation Act (Revised Statutes of Manitoba, 1940, chap. 209) follows.

Section 9 (1) "There shall be assessed, levied and paid upon the income during the preceding year of every person

- (a) residing or ordinarily resident in Manitoba during such year; or
- (b) who sojourns in Manitoba for a period or periods amounting to one hundred and eighty-three days during such year; or
- (c) who is employed in Manitoba during such year;
- (d) who, not being resident in Manitoba, is carrying on business in Manitoba during such year; or
- (e) who not being resident in Manitoba, derives income for services rendered in Manitoba during such year, otherwise than in the course of regular or continuous employment, for any person resident or carrying on business in Manitoba,

a tax at the rates applicable to persons other than corporations and joint stock companies"

Tax is levied on a calendar year basis.

Section 3 of the Act defines "Income" as follows:

"For the purposes of this Part, "Income" means the annual net profit or gain or gratuity, whether ascertained or capable of computation as being wages, salary, or other fixed amount, or unascertained as being fees or emoluments, or as being profits from a trade or commercial or financial or other business or calling, directly or indirectly received by a person from any office or employment, or from any profession or calling, or from any trade, manufacture or business, as the case may be whether derived from sources within Manitoba or elsewhere; and includes the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment, and, whether such gains or profits are divided or distributed or not, and also the annual profit or gain from any other source including

- (a) the income from but not the value of property acquired by gift, bequest, devise or descent; and
- (b) the income from but not the proceeds of life insurance policies paid upon the death of the person insured, or payments made or credited to the insured on life insurance endowment or annuity contracts upon the maturity of the term mentioned in the contract or upon the surrender of the contract; and
- (c) any payment to any employee out of any employees' superannuation or pension fund or plan; and
- (d) the salaries, indemnities or other remuneration of
 - (i) members of the Senate and House of Commons of Canada and officers thereof,
 - (ii) members of Provincial Legislative Councils and Assemblies,
 - (iii) members of Municipal Councils, Commissions or Boards of Management,

- (iv) any judge of any Dominion or Provincial Court, and
- (v) all persons whomsoever, whether the said salaries, indemnities or other remuneration are paid out of the revenue of His Majesty in respect of his Government of Canada, or of any province thereof, or by any person, except as herein otherwise provided; and
- (e) personal and living expenses when such form part of the profit, gain or remuneration of the taxpayer or the payment of such constitutes part of the gain, benefit or advantage accruing to the taxpayer under any estate, trust, contract, arrangement or power of appointment, irrespective of when created; and
- (f) rents, royalties, annuities or other like periodical receipts which depend upon the production or use of any real or personal property notwithstanding that the same are payable on account of the use or sale of any such property."

Generally speaking, the following classes of income are exempt from taxation:

Income of consuls and consuls general of foreign countries residing in Manitoba.

Income of officials of Great Britain or any of its self-governing colonies residing in Manitoba.

Income from bonds or securities issued by the Province as tax free securities.

Military pensions.

Service pay and allowances of members of the armed forces, except commissioned officers in Canada whose duties are not normally performed afloat or in aircraft.

The following deductions from income are allowed for income tax purposes:

Fifteen hundred dollars in the case of:

- (i) a married person;
- (ii) widow or widower with dependent child;
- (iv) clergymen maintaining a self-contained domestic establishment and supporting therein a relative;
- (iv) clergymen maintaining self-contained domestic establishment and employing a housekeeper;
- (v) divorced persons paying alimony.

Seven hundred and fifty dollars for all other persons.

Five hundred dollars each for:

- (i) dependent children or grandchildren;
- (ii) brothers and sisters under twenty-one years and parents, grandparents, brothers and sisters dependent on account of infirmity.

Four hundred dollars each for children, being war refugees, maintained by the taxpayer.

Travelling expenses, while away from home on business.

The amount, not exceeding three hundred dollars, retained by an employer in connection with a pension fund.

Donations to charities not exceeding ten per cent of net taxable income, and to patriotic organizations not exceeding fifty per cent of net taxable income.

Accrued interest on succession duties.

Dominion Income Tax paid.

The amount paid to the Province as Special Tax on Incomes (one per cent of income).

Deduction from Income Tax Allowed (Sec. 8).

- (1) "a taxpayer other than a corporation or joint stock company shall be entitled to deduct from the tax which would otherwise be payable by him under this Part, the amount the taxpayer has paid as tax for the year in which his income is taxable hereunder, to any other province for income tax . . . if such other province allows a similar credit to persons in receipt of income derived from sources within this province".
- (2) "The deduction . . . shall not at any time exceed the amount of tax which would otherwise be payable under this Part in respect of income derived from sources within such other province nor shall such deduction reduce the amount of tax which would otherwise be payable under this Part in respect of income derived from sources within this province".

Taxation of Dividends (Sec. 12 (1)).

"Dividends or shareholders' bonuses shall be taxable income of the taxpayer in the year in which they are paid or distributed".

Personal Corporations (Sec. 21).

"The income of a personal corporation, whether the same is actually distributed or not, shall be deemed to be distributed on the last day of each year as a dividend to the shareholders, and the shareholders shall be taxable each year as if the same had been distributed in the proportions hereinafter mentioned".

The distribution of the income of a personal corporation is based on the value of each shareholder's equity in the corporation.

Partnerships (Sec. 30).

"Where two or more persons are carrying on business in partnership, the partnership as such shall not be liable to taxation but the shares of the partners in the income of the partnership, whether withdrawn or not during the taxation year shall, in addition to all other income, be income of the partners and taxed accordingly".

Special Tax on Incomes.

Wages (Sec. 89).

"In addition to all other taxes . . . every employee shall pay to His Majesty . . . a tax of one per centum upon the amount of all wages . . .".

Incomes of persons with "married" status up to \$1,200 per annum are exempt from this tax; incomes of other persons up to \$600 are exempt.

Income other than wages (Sec. 94).

"In addition to all other taxes . . . every person other than a corporation shall pay annually to His Majesty . . . a tax of one per centum upon the value of his taxable income, other than wages . . .".

Exemptions for "married" and "single" status are the same as for the tax on wages.

Certain specific types of incomes are exempt from this tax such as pensions, relief, wages subject to the wage tax, etc.

The filing of Income Tax Returns is required by March 31 in each year.

A Table of Rates in force prior to "The Taxation Suspension Act" (Statutes of Manitoba, 1942, Chap. 1) will be found in Part II hereof.

5. ALBERTA

A tax on income was first imposed by the Province of Alberta in 1932 by legislation known as "The Income Tax Act".

Under the provisions of this Act a tax on a graduated scale was imposed beginning at one per cent on taxable income up to \$2,000 and increasing so that a tax of twenty-five per cent was payable on taxable income in excess of \$27,000.

The exemption for persons with married status was \$1,500 and for persons with single status \$750. A \$400 deduction from income was permitted for dependent children and certain other persons dependent upon the taxpayer for support.

The original Act was amended several times, rates being increased in 1934, 1935 and 1936. From the inception of the income tax levy, the rates for "single" persons have been one per cent higher than for "married" persons. Exemptions for "married" and "single" status and for dependents have not changed however.

"The Income Tax Act" (Revised Statutes of Alberta 1942, chap. 48), (in force prior to the tax suspension agreement) imposed a tax on a graduated basis from two per cent to thirty per cent for "married" persons, and from three per cent to thirty-one per cent for "single" persons, the top rates applicable to income in excess of \$25,000.

In 1942, the provisions of the Income Tax Act were suspended, (by mutual agreement with the Dominion Government and the other Provinces of Canada) by the "Tax Collection Temporary Suspension Act" (6 George VI chap. 9), income tax not being levied after December 31, 1940.

Revenue from personal income tax in the fiscal period ended March 31, 1941, was \$1,041,000, being 4.9 per cent of the total revenue, current account, for that year, and 6.2 per cent of the total amount of personal income tax collected by all Provincial Governments in the corresponding period.

A brief outline of the provisions of "The Income Tax Act" follows.

Sec. 8 (1) "There shall be assessed, levied and paid upon the income during the preceding year of every person,—

- (a) residing or ordinarily resident in the Province of Alberta during the year; or
- (b) who sojourns in Alberta for a period or periods amounting to one hundred and eighty-three days during the year; or
- (c) who is employed in Alberta during the year; or
- (d) who, not being resident in Alberta, is carrying on business in Alberta during the year; or
- (e) who, not being resident in Alberta, derives income for services rendered in Alberta during the year, otherwise than in the course of regular or continuous employment, for any person resident or carrying on business in Alberta,—

a tax at the rates applicable to persons other than corporations and joint stock companies set forth in the first Schedule of this Act. . .”

Tax is levied on a calendar year basis.

Income is defined by Section 3 of the Act as follows:

“Without limiting the meaning of ‘income’, for the purposes of this Act, ‘income’ includes the annual net profit or gain or gratuity, whether ascertained and capable of computation as being wages, salary or other fixed amount, or unascertained as being fees or emoluments, or as being profits from a trade, or commercial, or financial or other business or calling, directly or indirectly received by a person from any office or employment, or from any profession or calling, or from any trade, manufacture or business, as the case may be, whether derived from sources within Alberta or elsewhere; and includes the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment, whether such gains or profits are divided or distributed or not, and also the annual profit or gain from any other source including,—

- (a) the income from, but not the value of, property acquired by gift, bequest, devise or descent; and
- (b) the income from, but not the proceeds of life insurance policies paid upon the death of the person insured, or payments made or credited to the insured on life insurance endowment or annuity contracts upon the maturity of the term mentioned in the contract or upon the surrender of the contract; and
- (c) any payment to any employee out of any employees’ superannuation or pension fund or plan; and
- (d) the salaries, indemnities or other remuneration of,—
 - (i) members of the Senate and House of Commons of Canada and officers thereof;
 - (ii) members of Provincial Executive Councils and Assemblies of the Province of Alberta;
 - (iii) members of Municipal Councils, Commissions or Boards of Management;
 - (iv) any judge of any Dominion or Provincial Court;
 - (v) all persons whatsoever, whether the said salaries, indemnities or other remuneration are paid out of the revenue of His Majesty in respect of his Government of Canada, or of any Province thereof, or by any person, except as herein otherwise provided, and
- (e) personal and living expenses when they form part of the profit, gain or remuneration of the taxpayer;
- (f) all moneys received by any person on account of or in respect of any annuity, whether in whole or in part a return of capital, and annuities or other annual payments received under the provisions of any will or trust, irrespective of the date on which the will or trust became effective, and notwithstanding that the annuity or annual payments are in whole or in part paid out of

capital funds of the estate or trust and whether the same is received in periods longer or shorter than one year;

- (g) rents, royalties, annuities or other like periodical receipts which depend upon the production or use of any real or personal property, notwithstanding that the same are payable on account of the use or sale of any such property.”

Broadly speaking the following classes of income are exempt from taxation:

Income of consuls and consuls general of foreign countries residing in Alberta

Income from bonds or securities issued by the Province as tax free securities.

Military pensions

Military pay of (1) warrant officers, non-commissioned officers and men and (2) of commissioned officers while serving outside the Province.

The following deductions are allowed from income for income tax purposes:

One thousand five hundred dollars in the case of

(i) a married person;

(ii) any other person who has a parent, grandparent, daughter, sister, son or brother living with him and dependent for support;

Seven hundred and fifty dollars for all other persons;

Four hundred dollars each for,—

(i) dependent children;

(ii) children, being war refugees, maintained by the taxpayer;

(iii) brothers or sisters under twenty-one years and parents, grandparents, brothers and sisters dependent on account of infirmity;

Travelling expenses at the discretion of the Minister;

Any amount retained by an employer in connection with an employees’ superannuation or pension fund, unless the pension fund income be exempt on election;

In the case of an annuity payable to and for the benefit of the purchaser thereof, one-half of the sum so payable to that person for his benefit;

Dividends from a corporation or joint stock company incorporated in Canada with head office in Alberta, the profits of which corporation or company have been taxed under the Income Tax Act, Alberta;

Donations to charities not in excess of ten per cent of the net taxable income of the taxpayer;

Donations to patriotic organizations not in excess of twenty-five per cent of the net taxable income of the taxpayer (approval of Minister required).

Deduction from Income Tax allowed (Section 7)

- (1) “A taxpayer shall be entitled to deduct from the tax that would otherwise be payable by him under this Act the amount paid to any other Province of Canada for income tax in respect of the income of the taxpayer derived from sources therein if such Province allows a similar credit to persons in receipt of income derived from sources within Alberta.”

(2) "The deduction shall not at any time exceed the amount of tax which would otherwise be payable under the provisions of this Act in respect of the said income derived from sources within such other Province of Canada."

Taxation of Dividends (Section 11)

"Dividends or shareholders bonuses shall be taxable income of the taxpayer in the year in which they are paid or distributed."

Personal Corporations (Section 20)

(1) "The income of a personal corporation whether the same is actually distributed or not, shall be deemed to be distributed on the last day of each year as a dividend to the shareholders and every such shareholder who is liable to taxation under this Act shall be taxable in each year as if the same had been distributed in the proportion hereinafter mentioned."

The distribution of the income of a personal corporation is based on the value of each shareholder's equity in the corporation.

Partnerships (Section 29)

"Where two or more persons are carrying on business in partnership, the partnership as such shall not be liable to taxation but the shares of the partners in the income of the partnership, whether withdrawn or not during the taxation year shall, in addition to all other income, be income of the partners and taxed accordingly."

The filing of Income Tax Returns is required by March 31 in each year.

A Table of Rates in force prior to the "Tax Collection Temporary Suspension Act" (Revised Statutes of Alberta, 1942, Chapter 58) will be found in Part II hereof.

6. SASKATCHEWAN

The original income tax laws of Saskatchewan, enacted in 1932, provided for a tax on a graduated basis, beginning at one per cent on the first \$500 of taxable income and going to forty-nine per cent on income in excess of \$500,000. Exemptions for "married" and "single" persons were provided in the amounts of \$1,500 and \$750 respectively, and a \$300 allowance was provided for each dependent child. In addition to the graduated tax, a surtax of \$5 was payable by each taxpayer.

In 1935, the exemptions for "married" and "single" persons were each reduced by \$50, making them \$1,450 and \$700 respectively. The "surtax" of \$5 was dropped, and in its place a surtax of 5 per cent of the graduated tax was imposed on all taxpayers with income in excess of \$5,000. The rates of tax in the graduated scale were increased one per cent throughout.

The present legislation "The Income Tax Act", (Revised Statutes of Saskatchewan, 1940, chap. 54) provide for taxation on a graduated scale ranging from two per cent on income up to \$500 to thirty-seven per cent on income in excess of \$100,000. These rates are the same as those enacted in 1935 with the exception

that the rates on the brackets in excess of \$100,000 are eliminated. The exemptions for "married" and "single" persons are \$1,450 and \$700 as before as is also dependents allowance of \$300.

The "Taxation Agreement Act" of 1942 suspended the collection of personal income tax by agreement with the Dominion and the other Provinces.

Revenue from personal taxation in the fiscal year ended April 30, 1941, amounted to \$476,000, which was 2.25 per cent of the Total Revenue, Current Account, and 3.03 per cent of the total personal income tax revenue of all provinces combined for the corresponding period.

An outline of some of the provisions of "The Income Tax Act" Saskatchewan, follows.

Sec. 8 (1) "To the extent and in the manner provided in this Act, and for the raising of a revenue for provincial purposes:

- (a) every person resident or ordinarily resident in Saskatchewan shall pay a tax in respect of his income;
- (b) every person resident outside of Saskatchewan shall pay a tax in respect of that portion of his income which is earned within Saskatchewan; and
- (c) the income earned within Saskatchewan of persons not resident in Saskatchewan shall be liable to taxation.....".

(2) "Except as herein otherwise provided, the tax shall be assessed and levied.....at the rates applicable to persons other than corporations and joint stock companies set forth in the first schedule to this Act.....".

The definition of Income given in Section 3 of the Act is as follows:

"For the purposes of this Act, "Income" means the annual net profit or gain or gratuity, whether ascertained and capable of computation as being wages, salary, or other fixed amount, or unascertained as being fees or emoluments, or as being profits from a trade or commercial or financial or other business or calling, directly or indirectly received by a person from any office or employment, or from any profession or calling, or from any trade, manufacture or business, as the case may be, whether derived from sources within Saskatchewan or elsewhere; and includes the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from any stocks, or from any other investment, and whether such gains or profits are divided or distributed or not, and also the annual profit or gain from any other source including:

- (a) the income from, but not the value of, property acquired by gift, bequest, devise or descent; and
- (b) the income from but not the proceeds of life insurance policies paid upon the death of the person insured, or payments made or credited to the insured on life insurance endowment or annuity contracts.....; and
- (c) the salaries, indemnities or other remuneration of all persons, whatsoever,.....except as herein otherwise provided;

- (d) rents, royalties, annuities or other like periodical receipts which depend upon the production or use of any real or personal property.....; and
- (e) all other gains or profits of any kind derived from any source within or without the Province whether received in money or its equivalent"

The following incomes are not subject to taxation:

The income of consuls and consular agents who are citizens of the country they represent.

The income from any securities issued by the Province of Saskatchewan as tax-free.

Military pensions up to \$500.

Deductions from income allowed for tax purposes are briefly:

Fourteen hundred and fifty dollars in the case of:

- (i) a married person;
- (ii) widow or widower with dependent child;
- (iii) an individual who has resident with him and supports a brother or sister, parent or grandparent dependent upon him;

Seven hundred dollars for all other persons.

Three hundred dollars for:

- (i) each dependent child;
- (ii) dependent brothers and sisters, parents and grandparents;
- (iii) children, being war refugees, maintained by the taxpayer.

Travelling expenses, at the discretion of the Minister.

Any amount of the remuneration of the taxpayer retained by his employer in connection with a superannuation or pension plan.

Charitable donations not in excess of ten per cent of the net taxable income of the taxpayer.

Annuity income to the amount of \$750.

Military pay and allowances.

Dominion Income Tax paid.

Deduction from Income Tax allowed. (Sec. 7).

(1) "A taxpayer shall be entitled to deduct from the amount of the tax which would otherwise be payable under this Act, the amount paid to any other province for income tax in respect of the income of the taxpayer derived from sources therein, if such province allows a similar credit to persons in receipt of income derived from sources within Saskatchewan".

(2) "The deduction shall not at any time exceed the amount of tax which would otherwise be payable under this Act in respect of the said income derived from sources within such other province".

Taxation of Dividends (Sec. 11).

"Dividends and shareholders bonuses shall be taxable income of the taxpayer in the year in which they are paid or distributed".

Partnerships (Sec. 29).

"Where two or more persons are carrying on business in partnership, the partnership as such shall not be liable to taxation, but the shares of the partners in the income of the partnership, whether with-

drawn or not during the taxation year, shall, in addition to all other income, be income of the partners and taxed accordingly".

The filing of Income Tax Returns is required by May 31 in each year.

A Table of Rates in force prior to "The Taxation Agreement Act" will be found in Part II hereof.

7. ONTARIO

The Province of Ontario did not enter the personal income tax field until 1936. The tax rates were on a graduated basis, being one-half of those provided in the Dominion Income Tax Act, i.e., one and one-half per cent on the first \$1,000 of net income, rising to twenty-eight per cent on income in excess of \$500,000. Exemptions for "married" and "single" persons were \$2,000 and \$1,000 respectively and dependent's allowances \$400 each.

No amendments to rates and exemptions have been made since the original Act was passed, and the present legislation, "The Income Tax Act" (Revised Statutes of Ontario, 1937, Chap. 25) provides for taxation at the rates mentioned above.

The levying of income tax was suspended by agreement with the Dominion and other Provinces by "The Corporations and Income Taxes Suspension Act" (Statutes of 1942, Chap. 1) and collection of the tax has not been made since 1940.

In the fiscal year ended March 31, 1941, revenue from personal income tax amounted to \$7,001,000, which was 6.73 per cent of the Total Revenue, Current Account, and 44.59 per cent of the total amount of personal income taxes raised by all provinces in the corresponding period.

A brief summary of some of the provisions of "The Income Tax Act" of Ontario follows:

Sec. 9. "There shall be assessed, levied and paid upon the income during the preceding year of every person

- (a) residing or ordinarily resident in Ontario during such year; or
- (b) who sojourns in Ontario for a period or periods amounting to one hundred and eighty-three days during such year; or
- (c) who is employed in Ontario during such year; or
- (d) who, not being resident in Ontario, is carrying on business in Ontario during such year; or
- (e) who, not being resident in Ontario, derives income for services rendered in Ontario during such year, otherwise than in the course of regular or continuous employment, for any person resident or carrying on business or corporation carrying on business in Ontario; or
- (f) who, before his appointment, was a resident of Ontario and is now or was during such year or any part thereof or hereafter becomes a Minister, High Commissioner, Officer, servant or employee of the Government of Canada, or an agent general for any of the provinces of Canada, or any officer, servant or employee thereof,

resident outside of Canada, except upon income arising from his official position;

a tax at the rates set forth in the First Schedule of this Act . . .".

Tax is levied on a calendar year basis.

Income is defined by Section 3 of the Act as follows:

"For the purposes of this Act," income "means the annual net profit or gain or gratuity, whether ascertained and capable of computation as being wages, salary, or other fixed amount, or unascertained as being fees or emoluments, or as being profits from a trade or commercial or financial or other business or calling, directly or indirectly received by a person from any office or employment, or from any profession or calling, or from any trade, manufacture or business, as the case may be, whether derived from sources within Ontario or elsewhere, and shall include the interest, dividends or profits directly or indirectly received from money at interest upon any security or without security, or from stocks, or from any other investment, and, whether such gains or profits are divided or distributed or not, and also the annual profit or gain from any other source including,

- (a) the income from but not the value of property acquired by gift, bequest, devise or descent; and
- (b) the income from but not the proceeds of life insurance policies paid upon the death of the person insured, or payments made or credited to the insured on life insurance endowment or annuity contracts upon the maturity of the term mentioned in the contract or upon the surrender of the contract; and
- (c) any payment to any employee out of any employees' superannuation or pension fund or plan; and
- (d) the salaries, indemnities or other remuneration of
 - (i) members of the Senate and House of Commons of Canada and officers thereof;
 - (ii) members of the Legislative Assembly of Ontario;
 - (iii) members of municipal Councils, Commissions or Boards of Management;
 - (iv) any judge of any Dominion or Provincial Court . . . and,
 - (v) all persons, whatsoever, whether the said salaries, indemnities or other remuneration are paid out of the revenue of His Majesty in respect of His Government of Canada or of any province thereof, or by any person, except as herein otherwise provided; and,
- (e) personal and living expenses when they form part of the profit, gain or remuneration of the taxpayer . . . ;
- (f) rents, royalties, annuities or other like periodical receipts which depend upon the production or use of any real or personal property . . . ;
- (g) annuities or other annual payments received under the provisions of any will or trust . . .".

The following classes of income are exempt from taxation under the Act:—

The income of the Governor-General of Canada.

The income of consuls and consuls-general and of officials and officers of a foreign country whose duties require them to reside in Ontario.

The income of officials of Great Britain, of the Dominions (other than Canada) and of the colonies whose duties require them to reside in Ontario.

Service pay and allowances, except of commissioned officers whose duties are performed in Canada, and who are not afloat or in aircraft during the normal performance of duty.

Certain deductions from income are allowed for tax purposes, as follows:

Two thousand dollars in the case of—

- (i) a married person;
- (ii) a widow or widower with dependent child;
- (iii) a person maintaining a self-contained domestic establishment and supporting a relative therein;
- (iv) a clergyman maintaining a self-contained domestic establishment and employing a housekeeper.

One thousand dollars for all other persons.

Four hundred dollars for—

- (i) dependent children;
- (ii) children, being war refugees, maintained by the taxpayer (maximum tax reduction \$10);
- (iii) dependent relatives of the taxpayer under twenty-one years or dependent on account of infirmity.

Travelling expenses while away from home on business.

Any amount retained by an employer in connection with a superannuation or pension fund (maximum \$300).

Annuity income up to \$1,200.

Charitable donations not in excess of ten per cent of net taxable income and patriotic donations not in excess of fifty per cent of net taxable income.

Accrued interest on Succession Duties.

The amount of Dominion Income Tax paid by the taxpayer.

Deductions from Income Tax allowed (Sec. 8).

- (1) (a) "The amount paid to Great Britain or any of its self-governing colonies or dependencies for income tax in respect of the income of the taxpayer derived from sources therein except the tax paid under the "Income War Tax Act" (Canada), and
 - (b) the amount paid to any foreign country for income tax in respect of the income of the taxpayer derived from sources therein . . ." (if reciprocal arrangements exist)
- (2) "Such deduction shall not exceed the same proportion of the tax otherwise payable under this Act as that which the taxpayers net income from sources within such country bears to his entire net income . . .".

Taxation of Dividends (Sec. 12)

"Dividends or shareholders bonuses shall be taxable income of the taxpayer in the year in which they are paid or distributed."

Personal Corporations (Sec. 21)

"The income of a personal corporation, whether the same is actually distributed or not, shall be deemed to be distributed on the last day of each year as a dividend to the shareholders, and the said shareholders shall be taxable each year as if the same had been distributed in the proportions hereinafter mentioned."

The distribution of the income of a personal corporation is based on the value of each shareholder's equity in the corporation.

Partnerships (Sec. 30)

"Where two or more persons are carrying on business in partnership, the partnership as such shall not be liable to taxation but the shares of the partners in the income of the partnership, whether withdrawn or not during the taxation year, shall, in addition to all other income, be income of the partners and taxed accordingly."

The filing of Income Tax Returns is required by April 30 in each year.

A table of rates in force prior to "The Corporations and Income Taxes Suspension Act" (Statutes of 1942, Ontario, Chap. 1) will be found in Part II hereof.

8. QUEBEC

The Province of Quebec first levied a tax on income in 1939 (Chap. 16, Laws of 1940). It differed from the tax of the other provinces in that it imposed a flat levy of fifteen per cent on the amount of tax payable by an individual to the Dominion and in that the total provincial tax payable was limited to an amount of \$7,000.

Chapter 23, Laws of 1941, amended the rate of tax to a graduated basis and exempted married persons with income up to \$2,000 and single persons with income up to \$1,000.

"Quebec Income Tax Act" (Revised Statutes of Quebec 1941, Chap. 86) was the Act in force prior to suspension of provincial income taxes. Under this Act, the rate of tax charged is based on the Net Income reported by the taxpayer to the Dominion Government, Net Income being total income less deductions and donations to charities and to patriotic organizations, but before deducting marital exemptions, etc. and allowances for dependents. After determination of Net Income, the rate of tax is ascertained by reference to the table, and that rate is applied to the Tax paid or payable to the Dominion. Tax in this case does not include National Defence Tax. The graduated scale of rates begins at four per cent on income not exceeding \$4,000 and rises to twelve per cent on income in excess of \$95,000. The provision limiting the amount of tax payable by an individual to \$7,000 is retained.

By agreement with the Dominion and the other Provinces, the provisions of the "Quebec Income Tax Act" were suspended (Bill No. 33, 1942) and no tax was collected for any year after 1940.

Personal income tax revenue in the twelve month period ended June 30, 1941, was \$2,469,000, which was 3.00 per cent of the Total Revenue Current Account, and 15.7 per cent of the total personal income tax revenue of all provinces combined for a corresponding period.

Some of the provisions of the Quebec Income Tax Act are summarized as follows:

Sec. 3 (1) "In order to provide for the exigencies of the public service of the Province, every one of the persons contemplated under section 4 of this act shall pay annually . . . a tax . . ."

Sec. 4. "Such tax shall be assessed, levied and paid upon the income during the preceding year of every person:

- (a) Residing or ordinarily resident in Quebec during such year; or
- (b) Who sojourns in Quebec for a period or periods amounting to one hundred and eighty-three days during such year; or
- (c) Who is employed in Quebec during such year; or
- (d) Who, not being resident in Quebec, is carrying on business in Quebec during such year; or
- (e) Who, not being resident in Quebec, derives income for services rendered in Quebec during such year, otherwise than in the course of regular or continuous employment for any person resident or carrying on business in Quebec; or
- (f) Who, before his appointment, was a resident of Quebec, and is now or was during such year or any part thereof or hereafter becomes a Minister, High Commissioner, officer, servant or employee of the Government of Canada, or an agent general of any of the Provinces of Canada, or any officer, servant or employee thereof, resident outside of Canada, except upon income arising from his official position."

Tax is levied on a calendar year basis.

"Married" persons having net income of not more than \$2,000 and "single" persons not more than \$1,000 are exempt from tax.

A Table of Rates in force prior to the suspension agreement will be found in Part II hereof.

MONTREAL

In 1935, the City of Montreal passed legislation requiring any individual having his residence, domicile or place of business in the city or in certain other municipalities under the control of the Montreal Metropolitan Commission to pay a tax on income. The tax was based on the amount of income tax paid or payable to the Dominion of Canada, and no doubt the legislation formed the model for the Quebec Provincial Income Tax imposed a few years later.

The original rates were ten, fifteen, and twenty per cent of the Dominion Tax according to whether this tax did not exceed \$200 or \$400 or was in excess of \$400.

Chapter 73, Laws of 1941 (Montreal), amended the rates of tax to a full graduated scale ranging from three per cent to fourteen per cent, the former rate being applicable to Dominion Tax up to but not exceeding \$260, and the latter rate applicable to Dominion tax in excess of \$40,000.

Collection of the Montreal income tax was suspended by the Dominion-Provincial Agreement.

In the fiscal year 1936-37 the Montreal Income Tax produced revenue amounting to \$1,275,000, 5·0 per cent of the total tax revenue of the city, and in the twelve-month period ended June 30, 1941, revenue was \$2,377,000.

A Table of Rates in force prior to the suspension of the tax will be found in Part II hereof.

9. NOVA SCOTIA

While the "Assessment Act" of the Province of Nova Scotia provides for a tax on income, the tax has not been levied, and income taxes in the province have been municipal only.

All municipalities, however, are required to tax income at the local general property tax rate, incomes of married persons up to \$2,000 and of single persons up to \$1,000 being exempt. An allowance of \$500 for each dependent child or parent is provided.

The proceeds of income tax in Nova Scotia have been very small; in the year ended December 31, 1940, revenue from income tax in all cities, towns and municipalities amounted to approximately \$100,000 which was about one per cent of the total revenue of all the cities, towns and municipalities of the province.

The levying of Municipal Income Taxes in the province was suspended by "The Dominion-Provincial Agreement Act," Nova Scotia, 1942.

10. NEW BRUNSWICK

The Province of New Brunswick has never levied a tax on income as such but under the provisions of the "Highway Act," a tax on income, amongst other bases, was levied.

In 1938 the rate was forty cents per hundred dollars levied upon the income (etc.) of every male person between the ages of 21 and 60 years.

In the fiscal year ended October 31, 1940, revenue from this source amounted to approximately \$22,000, being roughly 22 per cent of the Total Revenue, Current Account of the Province.

MUNICIPAL INCOME TAXES—NEW BRUNSWICK

As in Nova Scotia, municipalities levy a tax on income at the general property tax rate. Exemption from tax is allowed on income up to the very low figure of \$200.

The City of Saint John, however, is authorized by a special act to levy tax on income on a different basis. In addition to the regular property rate, income is subject to a supertax and the exemptions are on a vastly different basis and are perhaps unique in Canada. For a "married" person with income not in excess of \$1,000 the exemption is \$600; with income not in excess of

\$1,200 the exemption is \$500; with income not in excess of \$1,500 the exemption is \$400, and with income not in excess of \$1,800, the exemption is \$200. No other exemptions are allowed. The rates of supertax range from one per cent on income between \$4,000 and \$7,000 to three per cent on income in excess of \$15,000.

Revenue raised under the provisions of the Saint John City Assessment Act in the fiscal year ended October 31, 1940, was \$578,000, of which \$511,000 came from the levy on income.

The levying of taxes on income was suspended by "An Act to Suspend Temporarily the Imposition of Income Taxes, Corporation Taxes and Taxes on Securities" (Statutes of 1942 N.B. Chap. 6) in agreement with the Dominion and the other Provinces.

11. UNITED KINGDOM

The War Income Tax of 1799 was the first English measure of income taxation. The tax was levied on income from all sources as declared by the taxpayer. This tax act was repealed in 1802, but income tax was again levied in 1803. This latter tax was in force until 1815.

Income tax was not imposed again until 1842. This tax measure was in effect, the Income Tax Act of 1806, with a few amendments. Since that time, income tax in The United Kingdom has been a major part of the taxation on revenues. "The income tax," said the Chancellor of the Exchequer, in 1909, "intended as a temporary expedient, is now in reality the centre and sheet-anchor of the national budget."

The basic rate of income tax in The United Kingdom to-day is 10/- in the £1, or 50 per cent. On the first £165 of "taxable income" the rate is 6/6 in the £1 and on all income in excess of that the basic rate applies. Certain allowances are deductible from total income to arrive at "taxable income" as follows:

- (1) One-tenth of Earned Income, maximum allowance £150.
- (2) £80 for each taxpayer plus—
 - (a) £60 for a wife
 - (b) £50 for each child or dependent.

A surtax on all incomes in excess of £2,000 in addition to the basic tax, is payable on a graduated basis, beginning at 2/- in the £1 on the first £500 in excess of £2,000, and ranging to 9/6 in the £1 on income in excess of £20,000, making a combined rate of "normal" and "surtax" on this bracket of 19/6 in the £ or 97·5 per cent.

A "Post-War Credit" is provided for, being the extra amount of tax that taxpayers have suffered owing to reduction of allowances as compared with those given for 1940/41, which were £100 for all taxpayers plus £70 for a wife, the dependents' allowance not having changed. The maximum post-war credit for any year is £65.

12. UNITED STATES OF AMERICA

The history of income tax in the United States commences at the time of the Civil War. In 1861, a tax of 3 per cent on all incomes in excess of \$800 per annum was imposed. By 1865, the tax was 5 per cent on all

incomes over \$600 up to \$5,000, and 10 per cent on any income in excess of \$5,000. This Tax was discontinued in 1872, because it was felt that the revenue derived therefrom was not required at that time.

There were certain constitutional difficulties encountered, however, when attempts were made to impose income taxes again in 1894. Such a tax, in order to be a valid one, by law, had to be apportioned among the various States according to population. Income taxes could not be thus dealt with, and the attempts were dropped.

In 1909, further revenues were required, and again a tax on income was tried, this time under the heading of an "Excise" tax. In 1913, however, an amendment to the constitution was passed, making possible a tax on income without the feature of apportionment amongst the States. This was known as the Sixteenth Amendment, and read as follows:

"The Congress shall have the power to lay and collect taxes on incomes from whatever source derived without apportionment among the several States, and without regard to census or enumeration."

A law taxing all incomes was passed on October 3, 1913. Since that time there have been many income tax Acts passed, but there has been no lapse between them and the taxation of income has become a permanent factor in the life of the United States.

As in Canada, the rates of taxation increased sharply in the years of the present war, so that in 1944, personal incomes were taxed at a normal rate of 3 per cent, with a surtax at graduated rates ranging from 20 per cent to 91 per cent. A deduction from income for normal tax purposes of \$500 is allowed, plus, in the case of a joint return of husband and wife, the lower of either the husband's or wife's income or if both incomes are in excess of \$500, \$1,000 in all.

For surtax purposes, an allowance of \$500 for the taxpayer, \$500 for his wife and \$500 for each dependent is provided.

An interesting feature of the United States Income Tax laws is the fact that certain capital gains are classed as income for tax purposes; e.g., certain profits realized on sale of securities or on sale of real estate are taxable as income. Conversely, certain losses from such transactions may be deducted from any other capital gains for tax purposes.

Most of the States of the Union levy a tax on income in addition to the Federal Tax. New York State, for

instance, levies a tax on a graduated basis ranging from 2 per cent to 7 per cent, capital gains being taxed at one-half of those rates. Exemptions of \$1,000 for single persons, \$2,500 for married persons and \$400 for each dependent are allowed. Certain allowances have been made with respect to amounts of other taxes paid, such as the gasoline tax.

13. AUSTRALIA

The imposition of an income tax in Australia, as in Canada, was a direct outcome of the Great War 1914-18. "The enormous increases in Commonwealth expenditure arising out of the war caused the Government to consider new sources of taxation, and in 1915 it was decided to impose a Commonwealth Income Tax."¹

A distinguishable feature of Australian income tax is the progressive scale of rates. Two scales of rates were originally enacted, one for income from "Personal Exertion" and the other for income derived from "Property". The rates in each case increased with each increase in income of £1, an average rate for the whole income being struck by means of a rather complicated formula. This method of progressive tax rates has remained in force to the present day.

In 1916, rates were increased by 25 per cent; in 1918 a further addition of 30 per cent was made and in 1920 there was another increase of 5 per cent. In 1922, however, and again in 1924 rates were reduced.

The several States in Australia also imposed a tax on income, in addition to the Commonwealth. In 1942, however, a system of uniform federal taxation was adopted. "This motion is part of the Government's plan for the introduction of a system of uniform income tax to produce substantially the same amount of revenue as is received at present from the combined Commonwealth and State income taxes."²

The rates of tax have been increased since that time, but as mentioned previously, the graduated basis of rates is still in force.

Owing to the rather complicated method of calculating the tax, it is not practicable to reproduce here the rates presently in force, other than to say that the effective rate on an income of £400 (Australian) is 24.5 per cent; on £12,500, 83.7 per cent, these rates being applicable to "single" persons with all "earned" income.

¹ Stephen Mills, "Taxation in Australia" (1925) p. 237.

² Hon. J. B. Chifley, 15th May, 1942, in the House of Representatives.

PART II
TABLES

TABLE I

PERSONAL INCOME TAX PAYABLE (DOMINION) AT VARIOUS INCOME LEVELS
IN SELECTED YEARS

PERSONS WITH "SINGLE" STATUS WITHOUT DEPENDENTS

INCOME BEFORE EXEMPTIONS ⁴	1917		1919		1925		1927		1932		1940		1941		1943		1945	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
1,500	20	1.3	20	1.3	10	0.5	8	0.4	30	1.5	15	1.0	77	5.1	187	12.5	247	16.6
2,000	20	1.0	40	2.0	30	1.5	24	0.8	70	2.3	280	9.3	562	18.7	824	27.5	441	22.0
3,000	60	2.0	80	2.7	30	1.0	120	4.4	120	3.0	465	11.6	875	21.9	1,274	31.8	1,594	39.8
4,000	100	2.5	160	3.2	90	1.8	72	1.4	180	3.6	690	13.8	1,232	24.6	1,728	34.5	2,128	42.6
5,000	140	2.8	300	3.7	410	5.1	255	3.2	204	2.6	441	5.5	1,567	19.6	2,470	30.9	3,225	40.3
8,000	870	5.8	1,270	8.5	990	6.6	792	5.3	1,396	9.3	4,327	28.8	5,977	39.8	7,379	50.5	8,379	50.5
15,000	5,320	10.6	9,230	18.5	8,770	17.6	7,016	14.0	10,363	20.7	21,492	43.0	27,592	55.2	35,103	71.8	35,903	70.2
50,000 ³	14,820	14.8	31,230	31.2	24,370	24.4	19,496	19.5	27,846	27.8	51,197	51.2	61,547	61.5	79,537	79.5	80,337	79.5
100,000 ³	43,820	21.9	93,230	46.6	65,015	32.5	52,012	26.0	72,660	36.3	118,652	59.3	136,995	68.5	175,504	87.7	176,304	87.7
200,000 ³																		

¹ Not including "Refundable Portion".

² Including "Refundable Portion".

³ Considered as fifty per cent "investment income" except in 1940 when all income in excess of \$14,000 was deemed to be "investment income" for tax purposes.

⁴ "Earned income", except per footnote.

TABLE 2

PERSONAL INCOME TAX PAYABLE (DOMINION) AT VARIOUS INCOME LEVELS
IN SELECTED YEARS

PERSONS WITH "MARRIED" STATUS WITHOUT DEPENDENTS

INCOME BEFORE EXEMPTIONS ⁴	1917		1919		1925		1927		1932		1940		1941		1943		1945	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
1,500	40	1.3	40	2.0	20	0.5	16	0.4	30	1.0	165	5.5	355	11.8	584	19.5	884	29.5
2,000	40	1.0	80	2.0	20	0.5	16	0.4	70	1.7	315	7.9	615	15.4	964	24.1	1,364	34.1
3,000	40	1.6	120	2.4	40	0.8	32	0.6	120	2.4	505	10.1	925	18.5	1,378	37.6	1,878	37.6
4,000	80	3.0	370	4.6	160	2.0	128	1.6	347	4.3	1,295	16.2	2,060	25.7	2,755	34.7	3,555	44.4
5,000	80	5.4	1,230	8.2	790	5.3	632	4.2	1,228	8.2	3,960	26.4	5,400	36.0	6,929	46.2	7,929	52.9
8,000	240	10.5	9,190	18.4	8,380	16.8	6,704	13.4	10,069	20.1	20,890	41.8	26,415	52.8	33,753	67.5	34,753	69.5
15,000	810	5.260	5,260	10.5	9,190	18.4	8,380	16.8	6,704	13.4	10,069	20.1	20,890	41.8	26,415	52.8	33,753	67.5
50,000 ³	14,760	14.7	31,190	31.2	23,830	23.8	19,064	19.1	27,447	27.4	50,300	50.3	59,575	59.5	77,187	77.2	78,187	77.2
100,000 ³	43,760	21.9	93,190	46.6	64,370	32.2	51,496	25.7	72,187	36.1	117,210	58.6	133,470	66.7	171,154	85.6	172,154	86.1
200,000 ³	43,760	21.9	93,190	46.6	64,370	32.2	51,496	25.7	72,187	36.1	117,210	58.6	133,470	66.7	171,154	85.6	172,154	86.1

¹ Not including "Refundable Portion".² Including "Refundable Portion".³ Considered as fifty per cent "investment income" except in 1940 when all income in excess of \$14,000 was deemed to be investment income for tax purposes.⁴ "Earned Income" except per footnote³.

TABLE 3

PERSONAL INCOME TAXES PAYABLE TO PROVINCES AND CERTAIN MUNICIPALITIES IMMEDIATELY PRIOR TO TAX SUSPENSION (1940)

PERSONS WITH "SINGLE" STATUS (WITHOUT DEPENDENTS)

Income Before Exemptions	Prince Edward Island	Nova Scotia ¹	New Brunswick ² (City of St. John)	Quebec ³		Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	City of St. John ²	City of Montreal
				\$	%							
1,500	10	0.7	60	4.0	4	0.3	6	0.4	35	2.3	18	1.2
2,000	22	1.1	80	4.0	7	0.3	13	0.6	53	2.6	32	1.6
3,000	39	1.3	121	4.0	16	0.5	29	1.0	89	3.0	60	2.0
4,000	70	1.8	161	4.0	31	0.8	48	1.2	130	3.2	94	2.3
5,000	107	2.1	211	4.2	54	1.1	69	1.4	175	3.5	135	2.7
8,000	227	2.8	372	4.6	170	2.1	142	1.8	345	4.3	317	4.3
15,000	496	3.3	818	5.5	584	3.9	355	2.4	817	5.4	947	6.3
50,000	2,776	5.6	3,275	6.5	4,667	9.3	2,126	4.2	4,626	9.2	5,597	11.2
100,000	4,805	4.8	6,785	6.8	12,921	12.9	4,768	4.8	10,307	10.3	12,196	12.2
200,000	8,060	4.0	13,805	6.9	23,191	11.6	9,861	4.9	21,265	10.6	23,677	11.9

¹ The Province of Nova Scotia provided for a tax on income (The Assessment Act, Sect. 3) but no revenue actually derived therefrom.² Per provisions of City of St. John Assessment Act.³ Including City of Montreal Income Tax.

TABLE 4

PERSONAL INCOME TAXES PAYABLE TO PROVINCES AND CERTAIN MUNICIPALITIES IMMEDIATELY PRIOR TO TAX SUSPENSION (1940)

PERSONS WITH "MARRIED" STATUS (WITHOUT DEPENDENTS)

Income Before Exemptions	Prince Edward Island	Nova Scotia ¹	New Brunswick ² (City of St. John)	Quebec ³		Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	City of St. John ²	City of Montreal
				\$	%							
1,500	5	0.3	44	3.0							5	0.3
2,000	14	0.7	80	4.0	2	0.1					10	0.5
3,000	37	1.2	121	4.0	9	0.3	12	0.4			30	1.0
4,000	67	1.7	161	4.0	20	0.5	29	0.7	84	2.1	68	1.7
5,000	105	2.1	211	4.2	37	0.7	47	0.9	118	2.4	104	2.1
8,000	228	2.8	372	4.6	137	1.7	114	1.4	256	3.2	272	3.4
15,000	602	4.0	818	5.4	533	3.6	317	2.1	674	4.5	883	5.9
50,000	2,811	5.6	3,275	6.6	4,588	9.2	2,078	4.2	4,305	8.6	5,561	11.1
100,000	4,870	4.9	6,785	6.8	12,818	12.8	4,743	4.7	9,854	9.8	12,263	12.3
200,000	8,179	4.1	13,805	6.9	23,129	11.6	9,938	5.0	20,672	10.3	23,997	12.0

¹ The Province of Nova Scotia provided for a tax on income (The Assessment Act, Sect. 3) but no revenues actually derived therefrom.

² Per provisions of City of St. John Assessment Act.

³ Including City of Montreal Income Tax.

TABLE 5

TOTAL PERSONAL INCOME TAX PAYABLE (DOMINION, PROVINCES AND MUNICIPALITIES) IMMEDIATELY PRIOR TO TAX SUSPENSION (1940)

PERSONS WITH "SINGLE" STATUS (WITHOUT DEPENDENTS)

INCOME BEFORE EXEMPTIONS	Prince Edward Island	Nova Scotia ¹	New Brunswick ²		Quebec ³		Ontario		Manitoba		Saskatchewan		Alberta		British Columbia		
			\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	
1,500.....		87	5.8	77	5.1	137	9.1	81	5.4	83	5.5	112	7.4	95	6.3	99	6.6
2,000.....		157	7.9	135	6.7	215	10.7	142	7.1	148	7.4	188	9.4	167	8.3	175	8.8
3,000.....		319	10.6	280	9.3	401	13.3	296	9.8	309	10.3	369	12.3	340	11.3	362	12.0
4,000.....		535	13.4	465	11.6	626	15.6	496	12.4	513	12.8	596	14.9	559	13.9	600	15.0
5,000.....		797	15.9	690	13.8	901	18.0	744	14.9	759	15.2	865	17.3	825	16.5	888	17.7
8,000.....		1,794	22.4	1,567	19.6	1,939	24.2	1,737	21.7	1,709	21.4	1,912	23.9	1,884	23.6	2,012	25.1
15,000.....		4,825	32.1	4,327	28.8	5,145	34.3	4,911	32.7	4,684	31.2	5,144	34.4	5,274	35.1	5,699	38.0
50,000.....		24,268	48.6	21,492	43.0	24,767	49.5	26,159	52.3	23,618	47.2	26,118	52.2	27,089	54.2	32,909	65.8
100,000.....		56,002	56.0	51,197	51.2	57,982	58.0	64,118	64.1	55,965	56.0	61,504	61.5	63,393	63.4	78,114	78.1
200,000.....		126,712	63.3	118,652	59.3	132,457	66.2	141,843	70.9	128,513	64.2	139,917	69.9	142,329	71.2	176,569	88.3

¹ The Province of Nova Scotia provided for a tax on income (The Assessment Act, Sect. 3) but no revenue actually derived therefrom.² Including City of St. John Income Tax.³ Including City of Montreal Income Tax.

TABLE 6

TOTAL PERSONAL INCOME TAX PAYABLE (DOMINION, PROVINCES AND MUNICIPALITIES) IMMEDIATELY PRIOR TO TAX SUSPENSION (1940)

PERSONS WITH "MARRIED" STATUS (WITHOUT DEPENDENTS)

INCOME BEFORE EXEMPTIONS	Prince Edward Island	Nova Scotia ¹	New Brunswick ²	Quebec ³	Ontario	Manitoba	Saskatchewan	Alberta	British Columbia	
									\$	%
1,500.....	20	1.3	15	1.0	59	4.0	15	1.0	30	2.0
2,000.....	69	3.4	55	2.7	135	6.7	57	2.8	84	4.2
3,000.....	201	6.7	165	5.5	286	9.5	174	5.8	222	7.4
4,000.....	382	9.6	315	7.9	476	11.9	335	8.4	344	8.6
5,000.....	610	12.2	505	10.1	716	14.3	542	10.8	552	11.0
8,000.....	1,523	19.0	1,295	16.2	1,667	20.8	1,432	17.9	1,409	17.6
15,000.....	4,562	30.4	3,960	26.4	4,778	31.8	4,493	30.0	4,277	28.5
50,000.....	23,859	47.4	20,890	41.8	24,165	48.4	25,478	51.0	22,968	46.0
100,000.....	55,170	55.2	50,300	50.3	57,085	57.1	63,118	63.1	55,043	55.0
200,000.....	125,389	62.7	117,210	58.6	131,015	65.5	140,339	70.2	127,148	63.6

¹ The Province of Nova Scotia provided for a tax on income (The Assessment Act, Sect. 3) but no revenues actually derived therefrom.² Including City of St. John Income Tax.³ Including City of Montreal Income Tax.

TABLE 7

PERSONAL INCOME TAXES PAYABLE ON VARYING INCOME LEVELS (1944)

COMPARISON WITH OTHER COUNTRIES

INCOME BEFORE EXEMPTIONS	"SINGLE" STATUS						"MARRIED" STATUS					
	Canada ³	Australia ¹	United Kingdom ²	U.S.A. ⁶	Canada ³	Australia ¹	United Kingdom ²	U.S.A. ⁵	Canada ³	Australia ¹	United Kingdom ²	U.S.A. ⁵
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1,500	247	16.6	375	25.0	270	18.0	205	13.7	100	6.7	286	19.1
2,000	441	22.0	582	29.1	478	23.9	319	15.9	231	11.5	480	24.0
3,000	824	27.5	1,017	33.9	894	29.8	560	18.7	584	19.5	900	30.0
4,000	1,274	31.8	1,484	37.1	1,312	32.8	815	20.4	964	24.1	1,352	33.8
5,000	1,728	34.5	2,020	40.4	1,730	34.6	1,080	21.6	1,378	27.5	1,875	37.5
8,000	3,225	40.3	4,080	51.0	3,056	38.2	2,130	26.6	2,755	34.7	3,920	49.0
15,000	7,579	50.5	10,065	67.1	7,275	48.5	5,410	36.1	6,929	46.2	9,915	66.1
50,000 ⁴	35,103	70.2	42,950	85.9	35,100	70.2	30,750	61.5	33,753	67.5	42,800	85.6

¹ Converted at \$3.50 to £1. Tax estimated from tables issued by "The Taxpayers Association of New South Wales. (Inc.)"² Converted at \$4.50 to £1. Excludes "Post-War Credit."³ Excludes "Refundable Portion".⁴ Includes 30% "Investment Income".⁵ Includes State of New York Income Tax. U.S. Dollars converted at par.

TABLE 8

DOMINION PERSONAL INCOME TAX COLLECTIONS¹

IN SELECTED YEARS

	1933	1937	1939	1941	1943
	(March 31, 1934)	(March 31, 1938)	(March 31, 1940)	(March 31, 1942)	(March 31, 1944)
Prince Edward Island.....	25,505	44,445	120,902	484,427	1,158,627
Nova Scotia.....	524,300	779,121	952,161	8,885,366	26,809,738
New Brunswick.....	471,420	515,899	722,597	5,834,656	13,380,371
Quebec.....	9,912,171	13,174,726	15,726,434	79,255,383	211,479,375
Ontario.....	14,089,962	20,925,347	22,146,570	147,027,102	380,656,771
Manitoba.....	1,053,598	1,283,411	1,465,637	13,007,907	34,857,252
Saskatchewan.....	263,253	289,678	340,577	4,428,429	14,528,377
Alberta.....	665,273	709,160	995,549	9,891,949	32,162,251
British Columbia.....	1,758,846	2,619,357	2,903,996	27,038,979	95,188,351
Yukon.....	19,808	23,260	32,509	281,792	891,392
Head Office.....	399,579	80,435	.....	2,553	4,890
	29,183,715	40,444,839	45,406,932	296,138,543	811,117,395
1942 Deferred Tax—(All Provinces).....	.....	.....	.....	.....	2,317,733
Less Estimated Refundable Portion— (All Provinces).....	29,183,715	40,444,839	45,406,932	296,138,543	813,435,128
Personal Income Tax Revenue (per Sec. 3, Table 13, Comparative Statistics of Public Finance).....	29,183,715	40,444,839	45,406,932	296,138,543	698,435,128

¹ Provincial Analysis per statistics prepared by the Dominion Bureau of Statistics and the Income Tax Division, Department of National Revenue.

TABLE 9

PROVINCIAL PERSONAL INCOME TAX COLLECTIONS

(Thousands of Dollars)

—	P.E.I.	Quebec	Ontario	Manitoba	Saskatche-wan	Alberta	British Columbia
1933 (March 31, 1934)— Personal Income Tax Revenue ²	27			2,485	251	432	2,046
1937 (March 31, 1938)— Personal Income Tax Revenue ²	34		6,012	2,776	353	660	2,002
1939 (March 31, 1940)— Personal Income Tax Revenue ²	57		6,510	2,065	375	900	2,206
1941 (March 31, 1942)— Personal Income Tax Revenue ²	84	1,897	4,664	1,258	344	936	1,450 ¹
Dominion-Provincial Tax Suspension Agreement Payment.....	5	572	2,337	955	132	105	937
	89	2,469	7,001	2,213	476	1,041	2,387
1943 (March 31, 1944)— Personal Income Tax Revenue ²	22	269	436	179	62	134	.....
Dominion-Provincial Tax Suspension Agreement Payment.....	67	2,200	6,565	2,034	414	907	2,387
	89	2,469	7,001	2,213	476	1,041	2,387

¹ Estimate.² Per Sec. II, Table 9, Comparative Statistics of Public Finance.

TABLE 10

RELATIVE IMPORTANCE OF PERSONAL INCOME TAX TO DOMINION REVENUES IN SELECTED YEARS
(Thousands of Dollars)

—	1933	1937	1939	1941	1943
Personal Income Tax Revenue.....	29,183	40,445	45,407	296,139	698,435 ¹
Total Revenue from Taxes.....	272,172	449,140	468,225	1,360,912	2,436,812 ¹
Percentage of Personal Income Tax to Total Tax Revenue.....	10.72%	9.00%	9.69%	21.76%	28.66%
Total Revenue Current Account.....	278,181	460,544	480,027	1,389,433	2,522,414 ¹
Percentage of Personal Income Tax to Total Revenue Current Account.....	10.49%	8.78%	9.46%	21.31%	27.69%

¹ Excluding estimated refundable portion.

TABLE 11

RELATIVE IMPORTANCE OF PERSONAL INCOME TAX TO PROVINCIAL REVENUES IN SELECTED YEARS
(Tax Revenue in Thousands of Dollars)

—	Prince Edward Island	Quebec	Ontario	Manitoba	Sask- atchewan	Alberta	British Columbia
* 1913—Personal Income Tax Revenue.....	13	—	—	—	—	—	106
—Percentage of Total Taxes.....	12.38%	—	—	—	—	—	4.49%
—Percentage of Total Revenue ¹	2.42%	—	—	—	—	—	1.04%
* 1925—Personal Income Tax Revenue.....	69	—	—	497	—	—	758
—Percentage of Total Taxes.....	26.44%	—	—	10.30%	—	—	7.85%
—Percentage of Total Revenue ¹	8.82%	—	—	5.18%	—	—	3.57%
* 1932—Personal Income Tax Revenue.....	47	—	—	1,135	332	459	2,709
—Percentage of Total Taxes.....	10.44%	—	—	20.16%	6.85%	8.88%	23.75%
—Percentage of Total Revenue ¹	3.96%	—	—	10.73%	2.76%	3.55%	13.11%
* 1936—Personal Income Tax Revenue.....	35	—	4,918	2,737	299	538	1,959
—Percentage of Total Taxes.....	5.60%	—	9.49%	34.68%	5.25%	7.28%	13.32%
—Percentage of Total Revenue ¹	2.33%	—	5.66%	19.52%	2.13%	3.15%	6.86%

¹ Including subsidies but not subventions and grants-in-aid.

² Per Financial Statistics of the Royal Commission on Dominion-Provincial Relations.

TABLE 12

RELATIVE IMPORTANCE OF PERSONAL INCOME TAX TO PROVINCIAL REVENUES
 FISCAL YEARS ENDED NEAREST TO DECEMBER 31, 1940²
 (Thousands of Dollars)

Actual date of fiscal year end—	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	All Provinces
	Dec. 31, 1940	Nov. 30, 1940	Oct. 31, 1940	June 30, 1941 ¹	Mar. 31, 1941	Apr. 30, 1941	Apr. 30, 1941	Mar. 31, 1941	Mar. 31, 1941	
Total Tax Revenue.....	723	5,519	3,927	52,191	70,333	9,280	10,626	9,076	20,981	182,656
Personal Income Tax.....	89	1	22	2,469	7,001	2,213	476	1,041	2,387	15,699
Percentage of Personal Income Tax to Total Tax Revenue..... %	12.31	.018	.56	4.73	9.95	23.85	4.48	11.47	11.38	8.59
Total Revenue, Current Account.....	1,683	12,778	9,984	82,259	103,957	17,346	21,265	20,875	36,718	306,865
Personal Income Tax.....	89	1	22	2,469	7,001	2,213	476	1,041	2,387	15,699
Percentage of Personal Income Tax to Total Revenue, Current Account: %	5.29	.008	.22	3.00	6.73	12.76	2.25	4.99	6.50	5.11

¹ For a composite twelve months period comprising:
 The nine months fiscal period ended March 31, 1941.

The three months period ended June 30, 1941.

² Per Special Report, March 24, 1942, re Dominion-Provincial Tax Agreements.

TABLE 13

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹

TAXATION YEAR 1942

(A) ALL CANADA

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Below \$1,000.....	399,713	18.4	327,908	7.8	16,335	4.2
\$1,000 to 2,000.....	1,148,023	52.8	1,723,643	41.1	94,728	24.2
2,000 to 3,000.....	432,815	19.9	1,022,115	24.4	79,202	20.3
3,000 to 4,000.....	94,311	4.3	320,123	7.6	34,631	8.9
4,000 to 5,000.....	35,723	1.7	158,441	3.8	20,528	5.2
5,000 to 10,000.....	45,553	2.1	303,460	7.3	51,392	13.1
10,000 to 15,000.....	9,142	0.5	109,792	2.6	24,318	6.3
15,000 to 25,000.....	4,792	0.2	90,298	2.2	23,721	6.0
25,000 to 50,000.....	2,063		68,972	1.6	21,755	5.5
50,000 to 100,000.....	509	0.1	33,075	0.8	12,193	3.2
Over 100,000.....	168		31,834	0.8	12,078	3.1
TOTAL.....	2,172,812	100.0	4,189,661	100.0	390,881	100.0

¹From statistics provided by Taxation Division, Department of National Revenue.

TABLE 14

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹
TAXATION YEAR 1942

(B) PRINCE EDWARD ISLAND

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Below \$1,000.....	652	18.8	531	7.8	23	4.2
\$1,000 to 2,000.....	1,709	49.4	2,533	37.5	109	19.8
2,000 to 3,000.....	675	19.5	1,626	24.0	112	20.4
3,000 to 4,000.....	194	5.6	660	9.8	66	12.0
4,000 to 5,000.....	82	2.6	366	5.4	42	7.7
5,000 to 10,000.....	123	3.6	809	11.9	136	24.8
10,000 to 15,000.....	10	0.3	120	1.8	27	4.9
Over 15,000.....	6	0.2	124	1.8	34	6.2
TOTAL.....	3,451	100.0	6,769	100.0	549	100.0

TABLE 15

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹
TAXATION YEAR 1942

(C) NOVA SCOTIA

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Below \$1,000.....	13,610	16.5	11,127	7.4	569	4.7
\$1,000 to 2,000.....	46,420	56.4	69,798	46.3	3,643	29.9
2,000 to 3,000.....	16,270	19.8	38,476	25.5	2,900	23.8
3,000 to 4,000.....	3,250	4.0	10,976	7.3	1,167	9.6
4,000 to 5,000.....	1,000	1.2	4,423	2.9	582	4.8
5,000 to 10,000.....	1,330	1.6	8,925	5.9	1,535	12.6
10,000 to 15,000.....	255	0.3	3,063	2.1	679	5.6
15,000 to 25,000.....	125		2,326	1.5	661	5.4
25,000 to 50,000.....	27	0.2	903	0.6	253	2.0
50,000 to 100,000.....	5		324	0.2	122	1.0
Over 100,000.....	3		420	0.3	85	0.6
TOTAL.....	82,295	100.0	150,761	100.0	12,196	100.0

¹See footnote, page 34.

TABLE 16

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹
 TAXATION YEAR 1942
 (D) NEW BRUNSWICK

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Below \$1,000.....	7,091	17.6	5,803	7.4	273	4.0
\$1,000 to 2,000.....	20,799	51.8	31,235	40.0	1,484	21.7
2,000 to 3,000.....	8,427	21.0	20,027	25.7	1,459	21.4
3,000 to 4,000.....	2,080	5.2	7,054	9.0	733	10.7
4,000 to 5,000.....	700	1.8	3,096	4.0	400	5.9
5,000 to 10,000.....	835	2.1	5,466	7.0	907	13.3
10,000 to 15,000.....	130		1,560	2.0	345	5.0
15,000 to 25,000.....	69	0.5	1,282	1.7	341	5.0
25,000 to 50,000.....	31		1,036	1.3	349	5.1
Over 50,000.....	5		1,512	1.9	541	7.9
TOTAL.....	40,167	100.0	78,071	100.0	6,832	100.0

TABLE 17

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹
 TAXATION YEAR 1942

(E) QUEBEC

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Below \$1,000.....	103,380	18.7	84,857	7.8	4,113	3.8
\$1,000 to 2,000.....	289,290	52.4	430,823	39.3	22,775	21.0
2,000 to 3,000.....	106,280	19.3	251,470	22.9	19,140	17.7
3,000 to 4,000.....	24,560	4.5	83,494	7.6	8,958	8.3
4,000 to 5,000.....	9,670	1.7	42,896	3.9	5,327	4.9
5,000 to 10,000.....	13,140	2.4	87,946	8.0	14,800	13.7
10,000 to 15,000.....	2,860	0.5	34,351	3.1	7,619	7.0
15,000 to 25,000.....	1,560		29,587	2.7	7,736	7.1
25,000 to 50,000.....	770	0.5	25,744	2.3	7,946	7.3
50,000 to 100,000.....	185		11,986	1.1	4,390	4.1
Over 100,000.....	78		14,426	1.3	5,568	5.1
TOTAL.....	551,773	100.0	1,097,580	100.0	108,372	100.0

¹See footnote, page 34.

TABLE 18

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹
TAXATION YEAR 1942

(F) ONTARIO

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Below \$1,000.....	194,130	19.1	159,646	8.1	8,041	4.3
\$1,000 to 2,000.....	530,790	52.2	797,996	40.6	45,025	24.1
2,000 to 3,000.....	201,120	19.8	474,652	24.2	36,462	19.5
3,000 to 4,000.....	42,770	4.2	145,181	7.4	15,632	8.4
4,000 to 5,000.....	16,980	1.7	75,319	3.8	9,879	5.3
5,000 to 10,000.....	22,030	2.2	146,659	7.5	24,995	13.4
10,000 to 15,000.....	4,490	0.4	53,929	2.8	12,002	6.4
15,000 to 25,000.....	2,375		44,733	2.3	11,819	6.3
25,000 to 50,000.....	1,020	0.4	34,103	1.7	11,002	5.9
50,000 to 100,000.....	270		17,492	0.9	6,492	3.4
Over 100,000.....	80		14,796	0.7	5,600	3.0
TOTAL.....	1,016,055	100.0	1,964,506	100.0	186,949	100.0

TABLE 19

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹
TAXATION YEAR 1942

(G) MANITOBA

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Below \$1,000.....	19,380	17.9	15,763	7.8	765	4.5
\$1,000 to 2,000.....	58,340	54.0	88,023	43.3	4,337	25.5
2,000 to 3,000.....	20,740	19.2	48,644	23.9	3,631	21.4
3,000 to 4,000.....	4,870	4.5	16,496	8.1	1,751	10.3
4,000 to 5,000.....	1,760	1.6	7,805	3.8	1,007	5.9
5,000 to 10,000.....	2,220	2.1	14,788	7.3	2,430	14.3
10,000 to 15,000.....	415		4,980	2.5	1,090	6.4
15,000 to 25,000.....	200	0.7	3,716	1.8	945	5.6
25,000 to 50,000.....	70		2,340	1.1	744	4.4
Over 50,000.....	12		815	0.4	285	1.7
TOTAL.....	108,007	100.0	203,370	100.0	16,985	100.0

¹See footnote, page 34.

TABLE 20

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹
 TAXATION YEAR 1942
 (H) SASKATCHEWAN

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Below \$1,000.....	9,960	18.8	8,084	8.4	386	5.5
\$1,000 to 2,000.....	28,160	53.1	42,142	44.0	1,979	28.0
2,000 to 3,000.....	10,130	19.1	24,146	25.2	1,795	25.4
3,000 to 4,000.....	2,910	5.5	9,816	10.3	1,034	14.6
4,000 to 5,000.....	880	1.6	3,898	4.1	500	7.1
5,000 to 10,000.....	850	1.6	5,598	5.8	913	12.9
10,000 to 15,000.....	101		1,213	1.3	264	3.7
15,000 to 25,000.....	36	0.3	659	0.7	161	2.3
25,000 to 50,000.....	5		167	0.2	40	0.5
TOTAL.....	53,032	100.0	95,723	100.0	7,072	100.0

TABLE 21

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹
 TAXATION YEAR 1942

(J) ALBERTA

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Under \$1,000.....	17,020	19.1	13,892	8.5	694	5.2
\$1,000 to 2,000.....	47,075	52.9	70,928	43.4	3,766	28.1
2,000 to 3,000.....	17,484	19.6	41,189	25.2	3,198	23.9
3,000 to 4,000.....	3,893	4.4	13,215	8.1	1,439	10.7
4,000 to 5,000.....	1,414	1.6	6,272	3.9	807	6.0
5,000 to 10,000.....	1,656	1.9	10,879	6.7	1,773	13.2
10,000 to 15,000.....	276		3,315	2.0	696	5.2
15,000 to 25,000.....	116	0.5	2,185	1.3	558	4.2
25,000 to 50,000.....	38		1,270	0.8	427	3.1
50,000 to 100,000.....	3		194	0.1	54	0.4
TOTAL.....	88,975	100.0	163,339	100.0	13,412	100.0

¹See footnote, page 34.

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹
TAXATION YEAR 1942
(K) BRITISH COLUMBIA

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Under \$1,000.....	34,350	15.1	28,091	6.6	1,465	3.8
\$1,000 to 2,000.....	124,940	54.8	189,395	44.4	11,533	30.3
2,000 to 3,000.....	51,280	22.5	120,902	28.3	10,389	27.2
3,000 to 4,000.....	9,650	4.2	32,773	7.7	3,793	9.9
4,000 to 5,000.....	3,200	1.4	14,204	3.3	1,961	5.1
5,000 to 10,000.....	3,340	1.5	22,202	5.2	3,868	10.1
10,000 to 15,000.....	600		7,201	1.7	1,583	4.1
15,000 to 25,000.....	305		5,697	1.3	1,469	3.9
25,000 to 50,000.....	100	0.5	3,343	0.8	974	2.6
50,000 to 100,000.....	30		1,944	0.5	731	1.9
Over 100,000.....	6		1,000	0.2	403	1.1
TOTAL.....	227,801	100.0	426,752	100.0	38,169	100.0

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY INCOME CLASSES¹
TAXATION YEAR 1942
(L) YUKON

Income Class	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Under \$1,000.....	140	11.1	114	4.1	5	1.5
\$1,000 to 2,000.....	500	39.8	770	27.7	76	22.0
2,000 to 3,000.....	409	32.6	984	35.3	116	33.6
3,000 to 4,000.....	134	10.7	458	16.4	58	16.8
4,000 to 5,000.....	37	2.9	161	5.8	24	7.0
Over 5,000.....	36	2.9	303	10.7	66	19.1
TOTAL.....	1,256	100.0	2,790	100.0	345	100.0

ESTIMATED DISTRIBUTION OF ALL INDIVIDUAL TAXPAYERS BY PROVINCES¹
TAXATION YEAR 1942

Province	Number of Taxpayers		Total Taxable Income		Total Tax Payable	
	No.	% of Total	(\$000)	% of Total	(\$000)	% of Total
Prince Edward Island.....	3,451	0.2	6,769	0.2	549	0.1
Nova Scotia.....	82,295	3.8	150,761	3.6	12,196	3.1
New Brunswick.....	40,167	1.8	78,071	1.9	6,832	1.8
Quebec.....	551,773	25.4	1,097,580	26.2	108,372	27.7
Ontario.....	1,016,055	46.8	1,964,506	46.9	186,949	47.8
Manitoba.....	108,007	5.0	203,370	4.8	16,985	4.4
Saskatchewan.....	53,032	2.4	95,723	2.3	7,072	1.8
Alberta.....	88,975	4.1	163,339	3.9	13,412	3.4
British Columbia.....	227,801	10.5	426,752	10.2	38,169	9.9
Yukon.....	1,256		2,790		345	
TOTAL.....	2,172,812	100.0	4,189,661	100.0	390,881	100.0

¹See footnote, page 34.

TABLE 25

PROVINCIAL PERSONAL INCOME TAX RATES, EXEMPTIONS, ETC., 1940

Province	Initial Tax Year	General Rates	Additional or Surtaxes	Deductions from Income Allowed	Exemptions		
					Married	Single	Dependents
British Columbia.....	1873	"Graduated Scale"—from 1% on first \$1,000 to 10% on THE WHOLE INCOME if in excess of \$19,000.		Charitable donations not exceeding 1% of taxable income in excess of \$2,500 in excess of \$5,000 to 18% on income in excess of \$47,500.	\$ 1,000	\$ 600	\$ 200
Prince Edward Island.....	1894	"Totality Scale"—from 1% on total net taxable income up to \$500 to 10% on total net taxable income over \$20,000.		Charitable donations not exceeding 10% of taxable income. Income from annuity contracts dated prior to June, 1940. Interest on Succession Duties. Dominion Income Tax.	1,000 1,500 (Veteran)	750 1,250	200 (Veteran)
Manitoba.....	1923	"Graduated Scale"—from 2% on first \$2,000 to 50% on excess of \$500,000, "Single" persons rates 1% higher in each bracket.		Charitable donations not exceeding 10% of taxable income. Patriotic donations not exceeding 50% of taxable income. Interest on Succession Duties. Dominion Income Tax. Manitoba "Wage Tax". Pension fund deductions by employers (max. \$300).	1,500	750	400

Alberta.....	1932	"Graduated Scale"—from 2% on first \$1,000 to 30% on income in excess of \$25,000. "Single Persons" rates 1% higher in each bracket.	Charitable donations not exceeding 10% of taxable income. Patriotic donations not exceeding 25% of taxable income. One-half of annuity income; (to the purchaser). Pension fund deductions by employers.	1,500	750	400
Saskatchewan.....	1932	"Graduated Scale"—from 2% on first \$300 to 37% on excess of \$100,000.	Charitable donations not in excess of 10% of net income. Annuity income up to \$750. Dominion Income Tax. Pension fund deductions by employers.	1,450	700	300
Ontario.....	1936	"Graduated Scale"—from 1½% on first \$1,000 to 28% on excess of \$500,000.	Charitable donations not exceeding 10% of net income. Patriotic Donations not exceeding 50% of net income. Annuity income up to \$1,200. Pension fund deductions by employers (max. \$300). Interest on Succession Duties. Dominion Income Tax.	2,000	1,000	400
Quebec.....	1939	Percentage of Dominion Tax on "Graduated Scale" from 4% of Dominion Tax on income up to \$4,000 to 12% of Dominion Tax on income over \$95,000. Maximum tax payable—\$7,000.	.....	2,000	1,000	.....

TABLE 26

DOMINION PERSONAL INCOME TAX RATES

Rates applicable to Individuals—1945

Normal Tax

- “Married” persons with income in excess of \$1,200—7 per cent
- “Single” persons with income in excess of \$660 but not over \$1,800—7 per cent
- “Single” persons with income in excess of \$1,800 but not over \$3,000—8 per cent
- “Single” persons with income in excess of \$3,000—9 per cent
- \$28 deduction from tax allowed for each dependent (not including the one for which marital status is claimed).

Graduated Tax—(Exemption \$660.)

		30% on first \$500 of taxable income or any part thereof;			
\$	150 on \$	500 and 33% on income in excess of \$	500 but not over \$	1,000	
315	1,000	37% “ “ “ “ “	1,000 “ “ “	2,000	
685	2,000	41% “ “ “ “ “	2,000 “ “ “	3,500	
1,300	3,500	45% “ “ “ “ “	3,500 “ “ “	5,000	
1,975	5,000	50% “ “ “ “ “	5,000 “ “ “	8,000	
3,475	8,000	55% “ “ “ “ “	8,000 “ “ “	13,000	
6,225	13,000	60% “ “ “ “ “	13,000 “ “ “	20,000	
10,425	20,000	65% “ “ “ “ “	20,000 “ “ “	30,000	
16,925	30,000	70% “ “ “ “ “	30,000 “ “ “	50,000	
30,925	50,000	75% “ “ “ “ “	50,000 “ “ “	70,000	
45,925	70,000	80% “ “ “ “ “	70,000 “ “ “	100,000	
69,925	100,000	85% “ “ “ “ “	100,000		

\$150 deduction from tax allowed for ‘married’ status

\$ 80 deduction from tax allowed for dependents.

Plus: Investment income surtax of 4 per cent on all investment income in excess of \$1,500.

“Refundable Portion” deductible: the lesser of either one-half of the tax

or,

for “married” persons—10 per cent of net income (maximum \$1,000) plus 1 per cent for each dependent.

for “single” persons—8 per cent of net income (maximum \$800) plus 1 per cent for each dependent.

Note: Any tax paid by an individual under the provisions of The Excess Profits Tax Act, 1940, as amended, is deductible from income for calculating personal tax.

TABLE 27

PRINCE EDWARD ISLAND PERSONAL INCOME TAX RATES
— 1940 —Rates of Tax Applicable to All Persons¹

Exemptions	“Married”	\$1,000
	“ “Veteran”	1,500
	“Single”	750
	“ “Veteran”	1,250

1% on total net taxable income not in excess of \$ 500

1½% on total net taxable income if in excess of \$ 500 but not over \$ 1,000

2% “ “ “ “ “ 1,000 “ “ “ 2,000

2½% “ “ “ “ “ 2,000 “ “ “ 3,000

3% “ “ “ “ “ 3,000 “ “ “ 4,000

3½% “ “ “ “ “ 4,000 “ “ “ 5,000

4% “ “ “ “ “ 5,000 “ “ “ 6,000

4½% “ “ “ “ “ 6,000 “ “ “ 8,000

5% “ “ “ “ “ 8,000 “ “ “ 10,000

6% “ “ “ “ “ 10,000 “ “ “ 12,000

7% “ “ “ “ “ 12,000 “ “ “ 15,000

8% “ “ “ “ “ 15,000 “ “ “ 20,000

10% “ “ “ “ “ 20,000.

¹ Includes bodies corporate.

TABLE 28

QUEBEC PERSONAL INCOME TAX RATES
— 1940 —*Rates of tax applicable to all individuals.*

Net Income reported on Form T. 1 Dominion 1940—	Percentage of Dominion Tax Payable Thereon
Up to but not exceeding \$ 4,000	4·0%
Over \$ 4,000 but not exceeding 6,000	4·5%
“ 6,000 “ “ “ 8,000	5·5%
“ 8,000 “ “ “ 12,000	6·0%
“ 12,000 “ “ “ 16,000	6·5%
“ 16,000 “ “ “ 18,000	7·0%
“ 18,000 “ “ “ 25,000	7·5%
“ 25,000 “ “ “ 30,000	8·5%
“ 30,000 “ “ “ 35,000	9·0%
“ 35,000 “ “ “ 50,000	10·0%
“ 50,000 “ “ “ 60,000	10·5%
“ 60,000 “ “ “ 80,000	11·0%
“ 80,000 “ “ “ 95,000	11·5%
“ 95,000	12·0%

TABLE 29

MONTREAL PERSONAL INCOME TAX RATES
— 1940 —*Table of rates of Municipal Income Tax, based on the Federal Income Tax for the year 1940 (not including the National Defence Tax).*On Federal Income Tax for
the year 1940

Up to, but not exceeding.....	\$	260.00	3 %
\$ 260.01 “ “ “		350.00	3½%
350.01 “ “ “		400.00	3½%
400.01 “ “ “		500.00	3½%
500.01 “ “ “		600.00	4 %
600.01 “ “ “		700.00	4½%
700.01 “ “ “		800.00	4½%
800.01 “ “ “		900.00	4½%
900.01 “ “ “		1,000.00	5 %
1,000.01 “ “ “		1,100.00	5½%
1,100.01 “ “ “		1,200.00	5½%
1,200.01 “ “ “		1,300.00	5½%
1,300.01 “ “ “		1,400.00	6 %
1,400.01 “ “ “		1,500.00	6½%
1,500.01 “ “ “		1,850.00	6½%
1,850.01 “ “ “		2,550.00	6½%
2,550.01 “ “ “		3,320.00	7 %
3,320.01 “ “ “		3,700.00	7½%
3,700.01 “ “ “		4,100.00	7½%
4,100.01 “ “ “		4,500.00	7½%
4,500.01 “ “ “		4,900.00	8 %
4,900.01 “ “ “		5,300.00	8½%
5,300.01 “ “ “		5,700.00	8½%
5,700.01 “ “ “		6,100.00	8½%
6,100.01 “ “ “		6,400.00	9 %
6,400.01 “ “ “		6,800.00	9½%
6,800.01 “ “ “		7,200.00	9½%
7,200.01 “ “ “		7,600.00	9½%
7,600.01 “ “ “		8,000.00	10 %
8,000.01 “ “ “		8,800.00	10½%
8,800.01 “ “ “		9,600.00	10½%
9,600.01 “ “ “		10,000.00	10½%
10,000.01 “ “ “		11,000.00	11 %
11,000.01 “ “ “		12,000.00	11½%
12,000.01 “ “ “		13,500.00	11½%
13,500.01 “ “ “		15,000.00	11½%
15,000.01 “ “ “		17,000.00	12 %
17,000.01 “ “ “		19,000.00	12½%
19,000.01 “ “ “		24,000.00	12½%
24,000.01 “ “ “		26,500.00	12½%
26,500.01 “ “ “		29,000.00	13 %
29,000.01 “ “ “		31,500.00	13½%
31,500.01 “ “ “		36,700.00	13½%
36,700.01 “ “ “		40,000.00	13½%
40,000.01 and over			14 %

TABLE 30

ONTARIO PERSONAL INCOME TAX RATES —1940—

Rates of Tax Applicable to All Individuals

Exemptions.....	{	"married"	\$2,000.
		"single"	\$1,000.
Tax		1½% on first \$1,000 of taxable income or any part thereof	
\$ 15 on \$ 1,000 and 2 % on income in excess of \$ 1,000 but not over \$ 2,000			
35 " 2,000 " 2½% " " " " 2,000 " " " 3,000			
60 " 3,000 " 3 % " " " " 3,000 " " " 4,000			
90 " 4,000 " 3½% " " " " 4,000 " " " 5,000			
125 " 5,000 " 4 % " " " " 5,000 " " " 6,000			
165 " 6,000 " 4½% " " " " 6,000 " " " 7,000			
210 " 7,000 " 5 % " " " " 7,000 " " " 8,000			
260 " 8,000 " 5½% " " " " 8,000 " " " 9,000			
315 " 9,000 " 6 % " " " " 9,000 " " " 10,000			
375 " 10,000 " 6½% " " " " 10,000 " " " 11,000			
440 " 11,000 " 7 % " " " " 11,000 " " " 12,000			
510 " 12,000 " 7½% " " " " 12,000 " " " 13,000			
585 " 13,000 " 8 % " " " " 13,000 " " " 14,000			
665 " 14,000 " 8½% " " " " 14,000 " " " 15,000			
750 " 15,000 " 9 % " " " " 15,000 " " " 16,000			
840 " 16,000 " 9½% " " " " 16,000 " " " 17,000			
935 " 17,000 " 10 % " " " " 17,000 " " " 18,000			
1,035 " 18,000 " 10½% " " " " 18,000 " " " 19,000			
1,140 " 19,000 " 11 % " " " " 19,000 " " " 20,000			
1,250 " 20,000 " 11½% " " " " 20,000 " " " 25,000			
1,825 " 25,000 " 12 % " " " " 25,000 " " " 30,000			
2,425 " 30,000 " 12½% " " " " 30,000 " " " 35,000			
3,050 " 35,000 " 13 % " " " " 35,000 " " " 40,000			
3,700 " 40,000 " 13½% " " " " 40,000 " " " 45,000			
4,375 " 45,000 " 14 % " " " " 45,000 " " " 50,000			
5,075 " 50,000 " 14½% " " " " 50,000 " " " 55,000			
5,800 " 55,000 " 15 % " " " " 55,000 " " " 60,000			
6,550 " 60,000 " 15½% " " " " 60,000 " " " 65,000			
7,325 " 65,000 " 16 % " " " " 65,000 " " " 70,000			
8,125 " 70,000 " 16½% " " " " 70,000 " " " 75,000			
8,950 " 75,000 " 17 % " " " " 75,000 " " " 80,000			
9,800 " 80,000 " 17½% " " " " 80,000 " " " 85,000			
10,675 " 85,000 " 18 % " " " " 85,000 " " " 90,000			
11,575 " 90,000 " 18½% " " " " 90,000 " " " 95,000			
12,500 " 95,000 " 19 % " " " " 95,000 " " " 100,000			
13,450 " 100,000 " 19½% " " " " 100,000 " " " 110,000			
15,400 " 110,000 " 20 % " " " " 110,000 " " " 120,000			
17,400 " 120,000 " 20½% " " " " 120,000 " " " 130,000			
19,450 " 130,000 " 21 % " " " " 130,000 " " " 140,000			
21,550 " 140,000 " 21½% " " " " 140,000 " " " 150,000			
23,700 " 150,000 " 22 % " " " " 150,000 " " " 175,000			
29,200 " 175,000 " 22½% " " " " 175,000 " " " 200,000			
34,825 " 200,000 " 23 % " " " " 200,000 " " " 225,000			
40,575 " 225,000 " 23½% " " " " 225,000 " " " 250,000			
46,450 " 250,000 " 24 % " " " " 250,000 " " " 275,000			
52,450 " 275,000 " 24½% " " " " 275,000 " " " 300,000			
58,575 " 300,000 " 25 % " " " " 300,000 " " " 325,000			
64,825 " 325,000 " 25½% " " " " 325,000 " " " 350,000			
71,200 " 350,000 " 26 % " " " " 350,000 " " " 375,000			
77,700 " 375,000 " 26½% " " " " 375,000 " " " 400,000			
84,325 " 400,000 " 27 % " " " " 400,000 " " " 450,000			
97,825 " 450,000 " 27½% " " " " 450,000 " " " 500,000			
111,575 " 500,000 " 28 % " " " " 500,000,			

TABLE 31

MANITOBA PERSONAL INCOME TAX RATES
—1940—

Rates of Tax Applicable to Persons other than Corporations and Joint Stock Companies.

Persons with "married" status (Exemption \$1,500)

Tax	2% on first \$2,000 taxable income or any part thereof.						
\$	40 on \$	2,000 and	3% on income in excess of \$	2,000 but not over \$	over \$		
70	"	3,000	4% "	" "	" "	3,000	4,000
110	"	4,000	5% "	" "	" "	4,000	5,000
160	"	5,000	6% "	" "	" "	5,000	6,000
220	"	6,000	7% "	" "	" "	6,000	7,000
290	"	7,000	8% "	" "	" "	7,000	8,000
370	"	8,000	9% "	" "	" "	8,000	9,000
460	"	9,000	10% "	" "	" "	9,000	10,000
560	"	10,000	11% "	" "	" "	10,000	11,000
670	"	11,000	12% "	" "	" "	11,000	12,000
790	"	12,000	13% "	" "	" "	12,000	13,000
920	"	13,000	14% "	" "	" "	13,000	14,000
1,060	"	14,000	15% "	" "	" "	14,000	15,000
1,210	"	15,000	16% "	" "	" "	15,000	16,000
1,370	"	16,000	17% "	" "	" "	16,000	17,000
1,540	"	17,000	18% "	" "	" "	17,000	18,000
1,720	"	18,000	19% "	" "	" "	18,000	19,000
1,910	"	19,000	20% "	" "	" "	19,000	20,000
2,110	"	20,000	21% "	" "	" "	20,000	25,000
3,160	"	25,000	22% "	" "	" "	25,000	30,000
4,260	"	30,000	23% "	" "	" "	30,000	35,000
5,410	"	35,000	24% "	" "	" "	35,000	40,000
6,610	"	40,000	25% "	" "	" "	40,000	45,000
7,860	"	45,000	26% "	" "	" "	45,000	50,000
9,160	"	50,000	27% "	" "	" "	50,000	55,000
10,510	"	55,000	28% "	" "	" "	55,000	60,000
11,910	"	60,000	29% "	" "	" "	60,000	65,000
13,360	"	65,000	30% "	" "	" "	65,000	70,000
14,860	"	70,000	31% "	" "	" "	70,000	75,000
16,410	"	75,000	32% "	" "	" "	75,000	80,000
18,010	"	80,000	33% "	" "	" "	80,000	85,000
19,660	"	85,000	34% "	" "	" "	85,000	90,000
21,360	"	90,000	35% "	" "	" "	90,000	95,000
23,110	"	95,000	36% "	" "	" "	95,000	100,000
24,910	"	100,000	37% "	" "	" "	100,000	110,000
28,610	"	110,000	38% "	" "	" "	110,000	120,000
32,410	"	120,000	39% "	" "	" "	120,000	130,000
36,310	"	130,000	40% "	" "	" "	130,000	140,000
40,310	"	140,000	41% "	" "	" "	140,000	150,000
44,410	"	150,000	42% "	" "	" "	150,000	175,000
54,910	"	175,000	43% "	" "	" "	175,000	200,000
65,660	"	200,000	44% "	" "	" "	200,000	250,000
87,660	"	250,000	45% "	" "	" "	250,000	300,000
110,160	"	300,000	46% "	" "	" "	300,000	350,000
133,160	"	350,000	47% "	" "	" "	350,000	400,000
156,660	"	400,000	48% "	" "	" "	400,000	450,000
180,660	"	450,000	49% "	" "	" "	450,000	500,000
205,160	"	500,000	50% "	" "	" "	500,000	

Plus 5% of the amount of the tax payable if income is \$5,000 or over.

Note: 1% Special Tax not included above.

TABLE 31

MANITOBA PERSONAL INCOME TAX RATES—*Con.**Persons with "single" status (Exemption \$750.)*

Tax	3% on first \$2,000 taxable income or any part thereof.	60 on \$2,000 and 4% on income in excess of \$2,000 but not over \$3,000
\$ 100	" 3,000	5% " " " " " 3,000 " " " 4,000
150	" 4,000	6% " " " " " 4,000 " " " 5,000
210	" 5,000	7% " " " " " 5,000 " " " 6,000
280	" 6,000	8% " " " " " 6,000 " " " 7,000
360	" 7,000	9% " " " " " 7,000 " " " 8,000
450	" 8,000	10% " " " " " 8,000 " " " 9,000
550	" 9,000	11% " " " " " 9,000 " " " 10,000
660	" 10,000	12% " " " " " 10,000 " " " 11,000
780	" 11,000	13% " " " " " 11,000 " " " 12,000
910	" 12,000	14% " " " " " 12,000 " " " 13,000
1,050	" 13,000	15% " " " " " 13,000 " " " 14,000
1,200	" 14,000	16% " " " " " 14,000 " " " 15,000
1,360	" 15,000	17% " " " " " 15,000 " " " 16,000
1,530	" 16,000	18% " " " " " 16,000 " " " 17,000
1,710	" 17,000	19% " " " " " 17,000 " " " 18,000
1,900	" 18,000	20% " " " " " 18,000 " " " 19,000
2,100	" 19,000	21% " " " " " 19,000 " " " 20,000
2,310	" 20,000	22% " " " " " 20,000 " " " 25,000
3,410	" 25,000	23% " " " " " 25,000 " " " 30,000
4,560	" 30,000	24% " " " " " 30,000 " " " 35,000
5,760	" 35,000	25% " " " " " 35,000 " " " 40,000
7,010	" 40,000	26% " " " " " 40,000 " " " 45,000
8,310	" 45,000	27% " " " " " 45,000 " " " 50,000
9,660	" 50,000	28% " " " " " 50,000 " " " 55,000
11,060	" 55,000	29% " " " " " 55,000 " " " 60,000
12,510	" 60,000	30% " " " " " 60,000 " " " 65,000
14,010	" 65,000	31% " " " " " 65,000 " " " 70,000
15,560	" 70,000	32% " " " " " 70,000 " " " 75,000
17,160	" 75,000	33% " " " " " 75,000 " " " 80,000
18,810	" 80,000	34% " " " " " 80,000 " " " 85,000
20,510	" 85,000	35% " " " " " 85,000 " " " 90,000
22,260	" 90,000	36% " " " " " 90,000 " " " 95,000
24,060	" 95,000	37% " " " " " 95,000 " " " 100,000
25,910	" 100,000	38% " " " " " 100,000 " " " 110,000
29,710	" 110,000	39% " " " " " 110,000 " " " 120,000
33,610	" 120,000	40% " " " " " 120,000 " " " 130,000
37,610	" 130,000	41% " " " " " 130,000 " " " 140,000
41,710	" 140,000	42% " " " " " 140,000 " " " 150,000
45,910	" 150,000	43% " " " " " 150,000 " " " 175,000
56,660	" 175,000	44% " " " " " 175,000 " " " 200,000
67,660	" 200,000	45% " " " " " 200,000 " " " 250,000
90,160	" 250,000	46% " " " " " 250,000 " " " 300,000
113,160	" 300,000	47% " " " " " 300,000 " " " 350,000
136,660	" 350,000	48% " " " " " 350,000 " " " 400,000
160,660	" 400,000	49% " " " " " 400,000 " " " 450,000
185,160	" 450,000	50% " " " " " 450,000 " " " 500,000
210,160	" 500,000	51% " " " " " 500,000 " " " 500,000

Plus 5 per cent of the amount of the tax payable if income is over \$5,000 or over.

Note: One per cent Special Tax not included above.

TABLE 32

SASKATCHEWAN PERSONAL INCOME TAX RATES
— 1940 —

Rates of Income Tax Applicable to Persons other than Corporations and Joint Stock Companies

Exemptions	"married"	\$1,450.	
		"single"	\$ 700.

Tax On the first \$500 of taxable income or part thereof 2%

\$	10 on \$ 500 and	3% on income in excess of \$ 500 but not over \$ 2,500
70 "	2,500 "	4% " " " " " 2,500 " " " " 3,500
110 "	3,500 "	5% " " " " " 3,500 " " " " 4,500
160 "	4,500 "	6% " " " " " 4,500 " " " " 5,500
220 "	5,500 "	7% " " " " " 5,500 " " " " 6,500
290 "	6,500 "	8% " " " " " 6,500 " " " " 7,500
370 "	7,500 "	9% " " " " " 7,500 " " " " 8,500
460 "	8,500 "	10% " " " " " 8,500 " " " " 9,500
560 "	9,500 "	11% " " " " " 9,500 " " " " 10,500
670 "	10,500 "	12% " " " " " 10,500 " " " " 11,500
790 "	11,500 "	13% " " " " " 11,500 " " " " 12,500
920 "	12,500 "	14% " " " " " 12,500 " " " " 13,500
1,060 "	13,500 "	15% " " " " " 13,500 " " " " 14,500
1,210 "	14,500 "	16% " " " " " 14,500 " " " " 15,500
1,370 "	15,500 "	17% " " " " " 15,500 " " " " 16,500
1,540 "	16,500 "	18% " " " " " 16,500 " " " " 17,500
1,720 "	17,500 "	19% " " " " " 17,500 " " " " 18,500
1,910 "	18,500 "	20% " " " " " 18,500 " " " " 20,000
2,210 "	20,000 "	21% " " " " " 20,000 " " " " 25,000
3,260 "	25,000 "	22% " " " " " 25,000 " " " " 30,000
4,360 "	30,000 "	23% " " " " " 30,000 " " " " 35,000
5,510 "	35,000 "	24% " " " " " 35,000 " " " " 40,000
6,710 "	40,000 "	25% " " " " " 40,000 " " " " 45,000
7,960 "	45,000 "	26% " " " " " 45,000 " " " " 50,000
9,260 "	50,000 "	27% " " " " " 50,000 " " " " 55,000
10,610 "	55,000 "	28% " " " " " 55,000 " " " " 60,000
12,010 "	60,000 "	29% " " " " " 60,000 " " " " 65,000
13,460 "	65,000 "	30% " " " " " 65,000 " " " " 70,000
14,960 "	70,000 "	31% " " " " " 70,000 " " " " 75,000
16,510 "	75,000 "	32% " " " " " 75,000 " " " " 80,000
18,110 "	80,000 "	33% " " " " " 80,000 " " " " 85,000
19,760 "	85,000 "	34% " " " " " 85,000 " " " " 90,000
21,460 "	90,000 "	35% " " " " " 90,000 " " " " 95,000
23,210 "	95,000 "	36% " " " " " 95,000 " " " " 100,000
25,010 "	100,000 "	37% " " " " " 100,000

Plus 5% of the tax as above in respect of incomes in excess of \$5,000.

TABLE 33

ALBERTA PERSONAL INCOME TAX RATES
—1940—

Rates of Income Tax Applicable to Persons other than Corporations and Joint Stock Companies

Persons with "Married" Status—(Exemption \$1,500)

Tax On the first \$1,000 of taxable income or any part thereof, 2 per cent

\$	20 on \$ 1,000 and	3% on income in excess of \$ 1,000 but not over \$ 2,000	2,000
50 "	2,000 "	4% " " " " 2,000 " " " " 3,000	3,000
90 "	3,000 "	5% " " " " 3,000 " " " " 4,000	4,000
140 "	4,000 "	6% " " " " 4,000 " " " " 5,000	5,000
200 "	5,000 "	7% " " " " 5,000 " " " " 6,000	6,000
270 "	6,000 "	8% " " " " 6,000 " " " " 7,000	7,000
350 "	7,000 "	9% " " " " 7,000 " " " " 8,000	8,000
440 "	8,000 "	10% " " " " 8,000 " " " " 9,000	9,000
540 "	9,000 "	11% " " " " 9,000 " " " " 10,000	10,000
650 "	10,000 "	12% " " " " 10,000 " " " " 11,000	11,000
770 "	11,000 "	13% " " " " 11,000 " " " " 12,000	12,000
900 "	12,000 "	14% " " " " 12,000 " " " " 13,000	13,000
1,040 "	13,000 "	15% " " " " 13,000 " " " " 14,000	14,000
1,190 "	14,000 "	16% " " " " 14,000 " " " " 15,000	15,000
1,350 "	15,000 "	18% " " " " 15,000 " " " " 16,000	16,000
1,530 "	16,000 "	19% " " " " 16,000 " " " " 17,000	17,000
1,720 "	17,000 "	20% " " " " 17,000 " " " " 18,000	18,000
1,920 "	18,000 "	21% " " " " 18,000 " " " " 19,000	19,000
2,130 "	19,000 "	22% " " " " 19,000 " " " " 20,000	20,000
2,350 "	20,000 "	24% " " " " 20,000 " " " " 21,000	21,000
2,590 "	21,000 "	25% " " " " 21,000 " " " " 22,000	22,000
2,840 "	22,000 "	26% " " " " 22,000 " " " " 23,000	23,000
3,100 "	23,000 "	27% " " " " 23,000 " " " " 24,000	24,000
3,370 "	24,000 "	28% " " " " 24,000 " " " " 25,000	25,000
3,650 "	25,000 "	30% " " " " 25,000.	

Persons with "Single" Status—(Exemption \$750)

Tax On the first \$1,000 of Taxable Income, or any part thereof, 3%

\$	30 on \$ 1,000 and	4% on income in excess of \$ 1,000 but not over \$ 2,000	2,000
70 "	2,000 "	5% " " " " 2,000 " " " " 3,000	3,000
120 "	3,000 "	6% " " " " 3,000 " " " " 4,000	4,000
180 "	4,000 "	7% " " " " 4,000 " " " " 5,000	5,000
250 "	5,000 "	8% " " " " 5,000 " " " " 6,000	6,000
330 "	6,000 "	9% " " " " 6,000 " " " " 7,000	7,000
420 "	7,000 "	10% " " " " 7,000 " " " " 8,000	8,000
520 "	8,000 "	11% " " " " 8,000 " " " " 9,000	9,000
630 "	9,000 "	12% " " " " 9,000 " " " " 10,000	10,000
750 "	10,000 "	13% " " " " 10,000 " " " " 11,000	11,000
880 "	11,000 "	14% " " " " 11,000 " " " " 12,000	12,000
1,020 "	12,000 "	15% " " " " 12,000 " " " " 13,000	13,000
1,170 "	13,000 "	16% " " " " 13,000 " " " " 14,000	14,000
1,330 "	14,000 "	17% " " " " 14,000 " " " " 15,000	15,000
1,500 "	15,000 "	19% " " " " 15,000 " " " " 16,000	16,000
1,690 "	16,000 "	20% " " " " 16,000 " " " " 17,000	17,000
1,890 "	17,000 "	21% " " " " 17,000 " " " " 18,000	18,000
2,100 "	18,000 "	22% " " " " 18,000 " " " " 19,000	19,000
2,320 "	19,000 "	23% " " " " 19,000 " " " " 20,000	20,000
2,550 "	20,000 "	25% " " " " 20,000 " " " " 21,000	21,000
2,800 "	21,000 "	26% " " " " 21,000 " " " " 22,000	22,000
3,060 "	22,000 "	27% " " " " 22,000 " " " " 23,000	23,000
3,330 "	23,000 "	28% " " " " 23,000 " " " " 24,000	24,000
3,610 "	24,000 "	29% " " " " 24,000 " " " " 25,000	25,000
3,900 "	25,000 "	31% " " " " 25,000.	

TABLE 34

BRITISH COLUMBIA PERSONAL INCOME TAX RATES

— 1940 —

Rates of "Graduated Tax" for all Persons

Exemptions.....	{	
	“married”	\$1,000.

“single” \$ 600.

Tax 1% on first \$1,000 income or any part thereof.

\$	10 on first \$1,000 and	2% on income in excess of \$	1,000 but not over \$	2,000
30	on \$ 2,000 and	3% on income in excess of \$	2,000 but not over \$	3,000
60	“ 3,000 “	4% “ “ “ “ “	3,000 “ “ “	4,000
100	“ 4,000 “	5% “ “ “ “ “	4,000 “ “ “	5,000
150	“ 5,000 “	6% “ “ “ “ “	5,000 “ “ “	6,000
210	“ 6,000 “	7% “ “ “ “ “	6,000 “ “ “	7,000
280	“ 7,000 “	8% “ “ “ “ “	7,000 “ “ “	8,000
360	“ 8,000 “	9% “ “ “ “ “	8,000 “ “ “	9,000
450	“ 9,000 “	10% “ “ “ “ “	9,000 “ “ “	10,000
550	“ 10,000 “	11% “ “ “ “ “	10,000 “ “ “	11,000
660	“ 11,000 “	12% “ “ “ “ “	11,000 “ “ “	12,000
780	“ 12,000 “	13% “ “ “ “ “	12,000 “ “ “	13,000
910	“ 13,000 “	14% “ “ “ “ “	13,000 “ “ “	14,000
1,050	“ 14,000 “	15% “ “ “ “ “	14,000 “ “ “	15,000
1,200	“ 15,000 “	16% “ “ “ “ “	15,000 “ “ “	16,000
1,360	“ 16,000 “	17% “ “ “ “ “	16,000 “ “ “	17,000
1,530	“ 17,000 “	18% “ “ “ “ “	17,000 “ “ “	18,000
1,710	“ 18,000 “	19% “ “ “ “ “	18,000 “ “ “	19,000
1,900	“ 19,000 “	where net income exceeds 19,000, 10% on the total net income.		

*Rates of "Surtax" on Incomes of Individuals (1940)**Tax* (The first \$5,000 of income is not subject to surtax.)

\$	25 on first \$7,500 and 1% on any part thereof in excess of \$5,000 and	2% on income in excess of \$	7,500 but not over \$	10,000
75	on \$ 10,000 and	3% on income in excess of \$	10,000 but not over \$	12,500
150	“ 12,500 “	4% “ “ “ “ “	12,500 “ “ “	15,000
250	“ 15,000 “	5% “ “ “ “ “	15,000 “ “ “	17,500
375	“ 17,500 “	6% “ “ “ “ “	17,500 “ “ “	20,000
525	“ 20,000 “	7% “ “ “ “ “	20,000 “ “ “	22,500
700	“ 22,500 “	8% “ “ “ “ “	22,500 “ “ “	25,000
900	“ 25,000 “	9% “ “ “ “ “	25,000 “ “ “	27,500
1,125	“ 27,500 “	10% “ “ “ “ “	27,500 “ “ “	30,000
1,375	“ 30,000 “	11% “ “ “ “ “	30,000 “ “ “	32,500
1,650	“ 32,500 “	12% “ “ “ “ “	32,500 “ “ “	35,000
1,950	“ 35,000 “	13% “ “ “ “ “	35,000 “ “ “	37,500
2,275	“ 37,500 “	14% “ “ “ “ “	37,500 “ “ “	40,000
2,625	“ 40,000 “	15% “ “ “ “ “	40,000 “ “ “	42,500
3,000	“ 42,500 “	16% “ “ “ “ “	42,500 “ “ “	45,000
3,400	“ 45,000 “	17% “ “ “ “ “	45,000 “ “ “	47,500
3,825	“ 47,500 “	18% “ “ “ “ “	47,500	



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